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<i>By Shi-Chin Lin</i>

Recent Developments in the Region

The European Union Considers Lifting Arms Ban on China

The European Union member states are debating whether to lift a 15-year-old ban on arms sales to China. During an eleven-day visit to Europe earlier this year, Chinese Premier Wen Jiabao called upon the E.U. to repeal the ban, which Beijing considers “a product of the Cold War era.” China reportedly plans to use its “import card” to convince European countries to lift the embargo, and diplomatic sources suggest that Beijing could spend as much as \$100 billion to purchase hi-tech and dual-use items, as well as military hardware and technology should the E.U. abolish the ban. [1] While some analysts view a repeal of the ban as only a matter of time, disagreements among E.U. member states over human rights issues, continued U.S. objections based on technology proliferation concerns and stability in the Taiwan Strait have all contributed to a delay and potential indefinite postponement of the repeal.

Following the Chinese government’s use of force against protestors in Tiananmen Square in June 1989, the United States and the then-European Community imposed an arms embargo on China (the European Community was transformed into the European Union by the 1992 Treaty of Maastricht). The European Community agreed to an “interruption by the member states of the community of military cooperation and an embargo on trade in arms with China.” [2] Over the years, however, limited arms trade between some E.U. member states and China continued, mostly to fulfill pre-Tiananmen contractual obligations.

Beijing’s October 2003 policy paper on the European Union, coinciding with the Sixth China-E.U. Summit, urged the E.U. to lift its ban on arms sales to China at an early date so as to “remove barriers to greater bilateral cooperation on defense industry and technologies.” [2] However, on December 18, 2003, a motion to repeal the embargo suffered a resounding defeat in the European Parliament with 373 votes in favor of maintaining the ban, only 32 votes against, and 29 abstentions. The resolution noted that China’s human rights record “remains unsatisfactory” and that the “violations of fundamental human rights continue as does torture, abuse and arbitrary detentions.” [3] Discussion of the issue between European leaders was further stalled during the March 2004 European Union Summit, as sensitivities heightened due to Taiwan’s presidential elections. [4] The recent fifteenth anniversary of the June 4 Tiananmen massacre made discussion of lifting the ban politically untenable in E.U. capitals. [5] Attempts by China to have the ban repealed were also made increasingly difficult with the addition to the European Union in May 2004 of ten new Central and Eastern European states with close ties to the United States. [6]

Differences within the E.U. Over Arms Ban

France, Germany and Spain have all suggested that the ban should be lifted unconditionally. France and Germany, in particular, have strong economic interests invested in the repeal since they have engaged in deficit spending that exceeds amounts allowed to E.U. members and have experienced a “near stagnant growth rate” since the late 1990s. [6] In arguing for the lifting of the ban, French Foreign Minister Dominique de Villepin stated “Our feeling is that the embargo is out of date as relations between Europe and China improve. ... [Beijing is] a privileged partner and a responsible one.” [6] Although the German government supports the repeal, Berlin has experienced a greater degree of domestic debate and opposition, with pressure from the Germany-Taiwan friendship group and from the Green Party over ongoing human rights abuses in China. [4, 7] The United Kingdom has also shown an interest in reconsidering the ban with the British Minister of State, International Trade and Investment Baroness Symons of Vernham Dean stating, “ministers are currently considering the United Kingdom’s position.” [8] Belgian Prime Minister Guy Verhofstadt also commented, “I indicated ... that we should lift the embargo,” but he added that China would first have to ratify the UN’s International Covenant on Civil and Political Rights. [9] Advocates of lifting the ban have noted that any individual arms sales would still have to be approved by the European Union. [10]

The Netherlands, Finland, Portugal and Sweden have all voiced concerns over lifting the ban. [8, 10] However, the Netherlands demonstrated a willingness to lift the weapons embargo if it represented the will of the majority. [2] In January 2004, Dutch Prime Minister Jan Peter Balkenende said that it would be

detrimental for “political and diplomatic relations and for the Netherlands’ upcoming E.U. presidency” if the Netherlands were to be the only country in support of maintaining the arms embargo. [11]

Concern in Russia and the United States

Outside of the E.U., other states have shown concern over a possible repeal of the arms ban. Russia has been the primary source of China’s military equipment since 1989, and in 2002 accounted for approximately \$2.1 billion of China’s total arms purchases. [12] Increased competition from E.U. states could place a strain on the already taxed Russian economic and military structure. [13]

The United States has also expressed significant concern over the possible repeal. In response to a question about the possible lifting of the E.U. ban, U.S. State Department spokesperson Richard Boucher stated, “We believe that the U.S. and European prohibitions on arms sales are complementary, were imposed for the same reasons, specifically serious human-rights abuses, and that those reasons remain valid today.” [14] The principal U.S. concern is that arms and technology provided to China by E.U. member states might be used against U.S. forces if a conflict broke out in the Taiwan Strait. China has shown an interest in systems that could be used against U.S. forces in a conflict over Taiwan. [15] Were the ban to be lifted, some analysts suggest that among the systems of interest to the People’s Liberation Army (PLA) would be the French Rafale, which is reputedly “one of the most advanced Western fifth generation fighter/attack aircraft now entering service.” [16] Also of interest to China, the French M88 engine would reportedly aid in “updating the PLA’s engine sector and provide an advanced small engine for new PLA fighter and trainer designs.” [16] Combined naval exercises carried out by France and China on the eve of Taiwan’s March 2004 presidential election heightened concerns that military transfers between the two countries would further destabilize cross-strait relations. [12] Concerns over Taiwan also underpinned successful U.S. efforts to block the Czech Republic’s delivery of six Vera radar systems to China. (This system had a range of 450-500km and the ability to monitor several dozen vessels and aircraft simultaneously.) [17]

The United States government is also concerned about China’s potential to proliferate sensitive technology and equipment to third states. Washington fears that that previously embargoed equipment might find its way via China to Pakistan, Iran, Burma and North Korea, among other states, having serious implications for the strategic balance in South Asia, the Middle East and East Asia. Additionally, economics and business interests affect U.S. concerns around this issue. If the E.U. were to lift the ban, China will likely direct “big-ticket civilian purchases, including aircraft, power stations, and urban mass transit away from U.S. vendors and to E.U. firms.” [8] Removal of the arms ban would provide China with greater economic and strategic leverage on the United States government, resulting in pressure from domestic arms contractors to lessen constraints on U.S. military exports to China. [18]

Sources: [1] Willy Lam, “European Embargo Tops Wen’s Agenda,” *CNN.com*, May 3, 2004. [2] Frank Ching, “Changing Dynamics in E.U.-China Arms Relations,” *China Brief*, Volume IV, Issue 5, The Jamestown Foundation, February 19, 2004. [3] “Taiwan Foreign Ministry Press Release Thanks E.U. for Limiting China Arms Sales,” Taipei Ministry of Foreign Affairs in FBIS CPP20031222000219, 18 December 2003. [4] “CNA: Taiwan Election Prevents Quick E.U. Removal of Arms Embargo on China,” Taipei Central News Agency in FBIS CPP20040312000143, March 12, 2004. [5] “AFP: Rights Group Says Lifting of China Arms Embargo Sends ‘Wrong Message,’” Hong Kong AFP in FBIS CPP20040414000179, April 14, 2004. [6] Adam Wolfe, “France and Germany Move to Resume Arms Sales to China,” *Power and Interest News Report*, February 11, 2004. [7] “German Greens Criticize Government Arms Export Report, Urge Restrictive Exports,” *Berliner Zeitung* in FBIS EUP20040312000008, March 12, 2004. [8] John J. Tkacik, Jr., “Washington Must Head Off European Arms Sales to China,” No. 1739, *Backgrounder*, Heritage Foundation, March 18, 2004. [9] “Chinese Premier Confident of End to E.U. Arms Ban,” *Channel News Asia* in LexisNexis, May 5, 2004. [10] “Paris Report Examines E.U. Differences Over Lifting of Arms Embargo on China,” *Le Figaro* in FBIS EUP20040127000041, January 27, 2004. [11] “Netherlands Government Support Lifting of E.U. Arms Embargo Against China,” *NRC Handelsblad* in FBIS EUP20040202000185, 31 January 2004. [12] Patrick Goodenough, “E.U. Plan to Drop Ban on Arms Sales to China Raises Alarm,” *Cybercast News Service.com*, 19 March 2004. [13] “Lifting of E.U. Embargo on Arms Exports to China to Cause Friction between Russia, EU,” *Agentsvo Voyennykh Novostey* via FBIS CEP20040127000218, 27 January 2004. [14] Philip P. Pan, “U.S. Pressing E.U. to Uphold Arms Embargo Against China,” *Washington Post* via Taiwan Security Research Online, 31 January 2004. [15] Roger Cliff and Evan S. Medeiros, “Keep the Ban on Arms for China,” *International Herald Tribune*, 22 March 2004. [16] Richard D. Fisher, “The Impact of Foreign Weapons and Technology on the Modernization of the People’s Liberation Army,” A Report for the U.S.-China Economic and Security Review Commission,

<http://www.uscc.gov/researchreports/2004/04fisher_report/part3.htm#newplathreats>, January 2004. [17] "Czech Government Uses E.U. Embargo to Defend Revocation of Radar Export to China," *Prague Mlada Fronta Dnes* via FBIS, 6 May 2004. [18] "Ta Kung Pao Column on E.U. Plan to Lift Arms Embargo against China," *Ta Kung Pao* via FBIS CPP20040129000021, 29 January 2004.

Malaysia Not to Sign Additional NPT Protocols

On March 2, 2004, Malaysia reiterated its intention not to sign the Additional Protocol to its comprehensive safeguards agreement with the International Atomic Energy Agency (IAEA). Before a meeting with U.S. Assistant Secretary of State for Nonproliferation John Wolf, Malaysian Foreign Minister Datuk Seri Syed Hamid Albar said that, although his country did not plan to sign the Additional Protocol, Malaysia had acted responsibly and had not violated any of the Protocol's provisions. "Malaysia wouldn't want to make any further decisions on it, and for now, there is no necessity for us to sign any additional protocol," he added. [1] Although Wolf was unavailable for comment following the meeting, a U.S. Embassy official confirmed that the principal purpose of the visit was to "encourage" Malaysia to establish an effective export control system, adding that Malaysia was the only country in Asia on Wolf's itinerary. [1]

According to Dr. Ahmad Sobri Hashim, director-general of the Malaysian Institute for Nuclear Technology Research (MINT), Malaysia lacks the capacity to fulfill its obligations under the Protocol, including the ability to properly regulate the import and export of components used in nuclear development. Director-General Ahmad Sobri said that certain components, such as centrifuge parts, had multiple uses, and that it is sometimes difficult even for experts to determine whether or not they are intended for use in the development of nuclear weapons. "The Additional Protocol contains a very subjective description of items. If trained nuclear scientists find it difficult to identify, how much more for front-liners like customs officials," Ahmad Sobri said. "At the moment we lack the capacity at that level." Speaking at a meeting of the newly-formed Asian Network for Education in Nuclear Technology, Dr. Ahmad Sobri acknowledged the need for the Malaysian government to increase education and expertise in nuclear technology. [2]

Kuala Lumpur's most recent explanation for its reluctance to sign the Additional Protocol is consistent with past statements. At the 2000 NPT Review Conference, Malaysia voiced its support for the formulation and adoption of the Additional Protocol, a position that it believed was "consistent with our full commitment to the final objective of a complete elimination of nuclear weapons." However, Malaysia attributed the slow progress towards universal adoption of the Additional Protocol to, in large part, insufficient explanation or substantive discussions prior to the adoption of the Protocol's trigger list (Annex II). The Malaysian delegation went on to criticize the "subjective nature of the description of the items listed," which made it more difficult to implement the extended safeguards system. [4]

Recent revelations of the involvement of a Malaysian firm in providing centrifuge components to Libya have intensified international focus on Malaysia's export control system, as well as its unwillingness to adopt the Additional Protocol.

Editor's Note: Malaysia ratified the NPT in 1970 and signed a comprehensive safeguards agreement with the IAEA in 1972.

Sources: [1] Farrah Naz Karim, "Malaysia's Hamid Reaffirms Refusal to Sign Additional Protocols to NPT," *New Straits Times* (Kuala Lumpur), March 3, 2004. [2] "Malaysia Not to Sign More NPT Protocols Due to Lack of Capacity for Obligations," *New Straits Times* (Kuala Lumpur), February 25, 2004. [3] "Washington Calls Arrest of N-agent Breakthrough," *Dawn*, May 30, 2004. [4] "Statement by Malaysia: Main Committee II," 2000 Review Conference of the Parties to the Treaty on the Nonproliferation of Nuclear Weapons, May 1, 2000, <http://www.mint.gov.my/policy/nuc/_prolif/npt2000revcon_mc2_malaysia.htm>.

Pakistan and China Ink Deal for Nuclear Reactor

On May 4, 2004, China signed an agreement to build a second nuclear reactor in Pakistan. The "Chashma-2" reactor, which will be located 270km south of Islamabad, will be capable of generating 300 megawatts of electricity. The project is expected to be completed within six years at a cost of approximately \$600 million

dollars. [1] China has also agreed to provide \$350 million in preferential loans to help finance the endeavor. [2]

The agreement was signed by Pakistan Atomic Energy Commission (PAEC) Chairman Pervez Butt, and Kang Rixin, president of the China National Nuclear Corporation (CNNC), at a ceremony attended by Pakistani Prime Minister Zafarullah Jamali and Chinese Vice Minister for the Commission of Science and Technology and Industry for National Defence (COSTIND) and Chairman of the China Atomic Energy Authority (CAEA) Zhang Huazhu. [1]

Chashma-2 will be the second unit of the Chashma Nuclear Power Plant Complex. Chashma-1, a 300MW PWR pressurized water reactor also built with Chinese assistance, was completed in 1999, and has been connected to Pakistan's power grid since 2000. According to a statement released at the ceremony, Chashma-2, like its predecessor, will be put under International Atomic Energy Agency (IAEA) safeguards. [3]

The decision to supply the reactor at this time was related to China's then-pending application to join the Nuclear Suppliers Group (NSG). China was admitted to the NSG on May 28, 2004, three weeks after this agreement was finalized. *(See relevant article on page 11 of this issue.)* [4] NSG regulations only allow member nations to provide nuclear exports if all of a recipient state's nuclear facilities are covered by IAEA safeguards. However, contracts signed prior to formal induction into the group are exempt from this requirement. [5] As an NSG member, China will be prohibited from undertaking any additional nuclear supply or reactor construction deals with Pakistan.

Washington supported China's admission to the NSG despite the reactor sale. At a congressional hearing held prior to the NSG meeting, U.S. Assistant Secretary of State for Nonproliferation John Wolf said, "China as a nuclear supplier should face those issues head on. This is one of the global responsibilities it should take on." When several lawmakers expressed concerns about Chashma-2, Wolf responded, "But, although we would prefer that no such cooperation occur, Chashma-2 will be under IAEA safeguards, and the NSG full-scope safeguards provisions have always made allowance for the completion of agreements and contracts entered into before membership." [6]

Editor's Note: Although NSG members are not permitted to provide nuclear technology to non-NPT states, Russia has exploited a grandfather clause that allows for the continued supply of nuclear fuel to reactors in non-NPT states built prior to NSG membership of the supplier state. China could potentially employ a similar rationale to justify the continued supply of nuclear fuel or technology to safeguarded facilities in Pakistan.

Sources: [1] "China Signs Agreement to Build Second Nuclear Plant in Pakistan," Hong Kong AFP, May 4, 2004; "Pakistan Paper Details Chinese Support for Nuclear Plant," BBC Monitoring South Asia, May 6, 2004, in PowerMarketeters.com, <<http://powermarketeters.net/contentinc.net>>. [2] "Pakistan, China Sign Agreement on Loan for Chashma-II Nuclear Plant," *The News* (Islamabad), May 6, 2004. [3] "Pak, China Sign Nuclear Plant Deal," *The Times of India*, May 4, 2004. [4] "China Joins Nuclear Suppliers Group," *China Daily*, May 18, 2004. [5] "Pakistan, China Agree on Second Chashma Unit," *Nucleonics Week*, Vol. 45, Iss. 19, May 6, 2004. [6] "Links with Pakistan Cloud China's Membership in Global Nuclear Group," Agence France Presse, May 18, 2004.

Regional Cooperation

Bilateral Export Control Cooperation between Japan and Singapore

To prevent the proliferation of weapons of mass destruction (WMD), the Japanese Ministry of Economy, Trade and Industry (METI) and Singapore Customs signed an agreement for export control cooperation on April 22, 2004. This was the first bilateral agreement between Japan and Singapore in the area of export controls. [1] The decision to conclude this agreement developed from a mutual recognition of the importance of strengthening export control regimes in order to enhance stability in the Asian Region.

In response to increases in illicit procurement and increasingly sophisticated methods by perpetrators to circumvent existing controls, the Japanese and Singaporean governments drafted this agreement in an attempt to establish more effective ways to deal with the growing problem of illicit transfers. The areas of cooperation between the two states will include information exchanges for the enhancement of export control implementation and enforcement. The two governments will also reach out to the private sector in order to ensure industry's implementation of effective internal export control compliance measures. Under this agreement, Japan and Singapore will further encourage other Asian countries to introduce national laws to strengthen domestic export controls. [2] According to a joint statement, both countries recognized that stringent export controls will contribute to the promotion of trade between the two nations. [3]

Japan and Singapore also agreed to a common understanding on what is needed to reinforce national export controls. According to their joint statement, essential elements for effective export controls include a domestic legal framework containing *catch-all* clauses, controls on intangible transfers, transshipments and arms brokering, as well as compatibility with international export control regimes. In addition, effectiveness in licensing and enforcement, sufficient infrastructure and trained personnel are indispensable aspects of effective export control systems. In conformity with domestic laws, both countries will exchange information to enhance the efficacy of export controls, while maintaining strict confidentiality over the information exchanged. [3] Private sector compliance with national export control regulations was also seen as imperative.

This bilateral agreement spearheaded by the Japanese government represented a milestone in the effort to strengthen export controls in the Asia Pacific region. At the October 2003 APEC Leaders Meeting in Bangkok, Thailand, the participants stated that their nations would adopt and enforce effective export controls in order to eliminate the growing danger posed by the proliferation of WMD. At the inaugural Asian Export Control Policy Dialogue held in October 2003 in Tokyo, the eight participating countries, which included Japan and Singapore, confirmed that cooperative countermeasures should be taken to prevent illicit trafficking of WMD-related items. [3, 4] These measures were intended to supplement the Proliferation Security Initiative (PSI). [5] At the Policy Dialogue meeting, Japan proposed the idea for the agreement with Singapore. According to the Director General of the Trade Control Department of METI, Atsuo Shibota, the main reasons why Japan selected Singapore as its partner for the agreement was that Singapore is a major transshipment port in Southeast Asia and the country has a solid export control system. [1] [*Editor's Note: Singapore and Japan are the only two Asian countries currently participating in the Proliferation Security Initiative (PSI).*]

Japan sponsored the Asia Export Control Seminar annually since 1993 in order to lead other Asian countries to a better understanding of the importance of export controls, and to enhance regional and international nonproliferation regimes by strengthening export control mechanisms. [6] The "Asian Export Control Initiative" proposed by METI promotes comprehensive bilateral and multilateral export control cooperation. [6] Japan called on each country in Asia to reinforce cooperative relations stipulating specific types of cooperation. The Japanese government, which has experience dealing with domestic companies involved with alleged export control violations, particularly with regards to transfers to North Korea, has placed great importance in the strengthening of bilateral and multilateral export control regimes in the region to prevent further occurrences of these types of incidents. [6]

Japan and Singapore have both shown interest in concluding similar agreements with other countries in Asia. Director General Shibota stated that Japan planned to seek an agreement for cooperation with the Hong Kong authorities. [1] Additionally, in order to introduce appropriate export control systems in other Asian countries, Japan and Singapore plan to jointly conduct outreach activities, including regional conferences and training programs.

Sources: [1] "Singapore, Japan Sign Agreement on WMD Export Controls", Kyodo News Service, April 22, 2004. [2] Press Release from Ministry of Economy, Trade and Industry of Japan and Singapore Customs, April 22, 2004, <<http://www.meti.go.jp/kohosys/press/0005160/0/040422state.pdf>>. [3] "Statement on Strengthening Bilateral Export Control Cooperation Between the Japanese Ministry of Economy, Trade and Industry and Singapore Customs." April 22, 2004 <[http://www.meti.go.jp/policy/anpo/topics/singapore/seimei\(eng\).pdf](http://www.meti.go.jp/policy/anpo/topics/singapore/seimei(eng).pdf)>. [4] The eight participants were Australia, the People's Republic of China, Hong Kong SAR, Japan, the Republic of Korea, Singapore, Thailand and the United States. For more information on the Dialogue, see "The First Asian Export Control Policy Dialogue Tokyo, Japan, 27 October 2003 Chair's Summary," Released by METI. English version is available from Center for Information on

Security Trade Control Web Site, <http://www.cistec.or.jp/english/topics/data/031027PolicyDialogue_.pdf>. [5] "Asia-Pacific Powers to Cooperate in Blocking WMD-related Exports to N Korea", Agence France Presse, October 27, 2003. [6] Masahiko Hosokawa, "The Asian Arms Export Control Initiative: Forestalling WMD-related Procurement", *Gaiko Forum*, Fall 2003.

Nations Discuss Piracy, Terrorism in Southeast Asia

The waters of Southeast Asia are among the busiest sea lanes in the world, and are plagued by problems with piracy and by concerns about the vulnerability of commercial shipping to the growing threat of maritime terrorism. [1] More than 50,000 vessels pass through the Straits of Malacca each year, carrying a quarter of the world's trade and half of the imported oil for Japan, China, and South Korea. [2] According to the Piracy Reporting Center in Kuala Lumpur, nearly one third of all piracy attacks around the world take place in the Straits and the Southeast Asian region. [3] In May 2004, the chief of the International Maritime Organization, Secretary-General Efthimios Mitropoulos gave a speech in which he indicated that a rise in crew abductions in the Straits of Malacca could be evidence that terrorists are attempting to learn navigation and operation of vessels for use in attacks, resorting to pirate-style tactics, or working cooperatively with pirates to "perpetrate their evil deeds." Tony Tan, Singapore's Deputy Prime Minister, raised the point that a ship sunk in the shallow portions of the Straits of Malacca would cripple world trade. In addition, he reiterated that terrorists, in conjunction with pirates, could hijack ships and turn them into floating bombs. [4, 2]

On March 31, 2004, U.S. Admiral Thomas Fargo, Commander of the U.S. Pacific Command, stated that U.S. forces could be positioned in the Straits of Malacca to assist regional governments, if requested to do so. The Singaporean government and commercial industry officials in the region have also suggested inviting the United States to aid in patrolling the Straits of Malacca, an idea vehemently opposed by Malaysia and Indonesia. [5] Both countries view a possible U.S. presence in the region as counterproductive, stimulating terrorism, and an infringement of their sovereignty.

Despite Admiral Fargo's comments before the U.S. Congress regarding possible policing the sea-lanes in Southeast Asia, there are no direct plans for the permanent deployment of U.S. forces in the region to safeguard waterways. [6] At the one-day meeting of ASEAN Regional Forum members in May 2004, U.S. officials presented proposals for the development of a "partnership of willing regional nations with various capacities to identify, monitor and address transnational maritime threats." ASEAN officials were assured that the maritime security initiative did not amount to joint patrols or the establishment of U.S. bases, and that it would not be limited to the Straits of Malacca. [7] Indonesia welcomed the proposals and called for further cooperation and technical assistance in training its own forces to provide security, while Malaysia continued to express reservations. [8]

Maritime forces of ASEAN member states have been hard pressed to combat piracy, and there have been allegations of corruption and involvement in piracy by the forces responsible for policing the region. In addition, regional maritime forces lack the capabilities to effectively patrol and police the region's waterways. The Indonesian navy, for instance, has only a quarter of its 115 vessels at sea at any given time. According to Indonesian naval studies, it is estimated that three times the number of vessels are required. [9] Joint patrols involving Singapore, Indonesia and Malaysia have been established to patrol the Straits of Malacca and the surrounding waters. However, this nascent security cooperation among the three ASEAN countries has proven insufficient to combat the rising toll of piracy. Singaporean and Malaysian forces are better equipped than Indonesian forces, but have no authority to pursue ships into Indonesian waters. [2, 10]

At a meeting of the Asia Pacific Economic Cooperation (APEC) forum in 2003, Indonesia requested assistance in opposing terrorism in the Straits of Malacca due to its lack of sufficient resources. [11] Japan agreed to provide additional patrol boats to Indonesia as part of its counterterrorism assistance to ASEAN nations. In addition, Japanese coast guard personnel will be sent to train their Indonesian counterparts to better combat terrorism and piracy. [12] On the other hand, Malaysia has stated that there is no terrorism in the Straits of Malacca region and that the passage is the safest international sea-lane in the world, despite the rising number of piracy incidents over the past year and reports that Jemaah Islamiah, an organization affiliated with Al Qaeda, had plans for maritime terror attacks. Singaporean officials arrested terrorist suspects who confessed to planning attacks on visiting American vessels, and cite a hijacking in 2004 when

pirates seized a chemical tanker in the Straits, but abandoned the vessel after an hour. Singaporean officials fear that this incident may have been a test run for a future maritime terror attack. [13, 2]

Sources: [1] "Analysis: Piracy in the Straits of Malacca in Southeast Asia," *All Things Considered*, April 26, 2004, Proquest, <<http://www.proquest.com>>. [2] "Going for the Jugular," *The Economist*, June 10, 2004, <<http://www.economist.com>>. [3] Tom McCawley, "Sea of Trouble," *Far Eastern Economic Review*, May 27, 2004, Proquest, <<http://www.proquest.com>>. [4] "International Maritime Official Fears Terrorists May Use Pirate-Style Tactics," Hong Kong AFP, May 25, 2004 in FBIS JPP20040525000126. [5] "Singapore Minister Says Outside Help Needed to Maintain Malacca Straits Security," *The Straits Times*, April 27, 2004 in FBIS SEP2040427000002; "Malaysia Warns Singapore against Inviting U.S. Forces to Patrol Melaka Straits," *New Straits Times* (Kuala Lumpur), May 11, 2004 in FBIS SEP20040511000007; "Indonesia, Malaysia Reject Suggested US Patrols in Malacca Straits," Hong Kong AFP, May 7, 2004 in FBIS JPP20040507000120. [6] "Fact and Nuance," *The Strait Times*, June 8, 2004. [7] "Kyodo: U.S. Proposes Initiative for Maritime Security in Asia-Pacific," Kyodo World Service, May 11, 2004 in FBIS JPP20040511000131. [8] "Noted Expert Urges U.S. To Train Indonesian Navy to Secure Malacca Strait," *The Jakarta Post*, April 10, 2004 in FBIS SEP20040410000029. [9] Tom McCawley, "Southeast Asia Pirates Are Deadly Real," *Wall Street Journal*, May 26, 2004, in Proquest, <www.proquest.com>. [10] "Indonesia, Singapore Discuss Permanent Joint Maritime Patrol in Philips Strait," *Jakarta Kompas*, May 4, 2004 in FBIS SEP20040504000076; "Indonesia, Malaysia to Conduct Joint Maritime Patrols in Malacca Straits," Jakarta Media Indonesia, April 19, 2004 in FBIS SEP20040419000051. [11] "Russia: International Terrorism at Sea: Sources, Status, Countermeasures," *Moscow Morskoy Sbornik* No.1, Dec. 19, 2003 in FBIS CEP20040415000213. [12] "Japan: Tokyo to Provide Patrol Boats to Indonesia as Counterterrorism Assistance," *Nihon Keizai Shimbun* (Tokyo), May 4, 2004 in FBIS JPP20040531000101. [13] "Indonesia, Malaysia Say There Are No Terrorist Activities in Malacca Straits," *Jakarta Suara Pemanduan*, May 8, 2004 in FBIS SEP20040510000004; "Malaysia Says Melaka Straits 'Safest' International Sea Lane in World," *Kuala Lumpur Bernama*, April 21, 2004 in FBIS SEP20040422000003; "Indonesia: Piracy in Malacca Strait on the Rise, Threatening Local Fisherman," *The Jakarta Post*, May 10, 2004 in FBIS SEP20040510000011; Barry Wain, "Strait Talk," *Far Eastern Economic Review*, April 22, 2004, in Proquest, <<http://www.proquest.com>>.

Illicit Trafficking in the Region

Alleged Trafficking of "Anti-Missile System" by Czech Firm to North Korea

On May 12, 2004, two former managers of the Czech firm Agroplast were charged with having shipped illegal arms to North Korea. The accused men, Petr Pernicka and Zbyneck Zvejnoha, were set to stand trial on May 13, but the presiding judge postponed the case until May 24. If convicted, the two could face up to eight years in prison. [1] The indictment comes as a result of the alleged sale of an anti-missile system for \$70 million dollars. According to the prosecution, Pernicka and Zvejnoha sold the system to a company represented by a South Korean national. [2] The intended final destination may have been North Korea. [3]

This is not the first time that Agroplast or its executives have been implicated in illegal weapons sales. In 1999, Azerbaijani authorities seized a cargo plane carrying six disassembled MiG-21 fighter aircraft that had been declared as 50 tons of scrap metal. Zvejnoha was on board, but not listed on the passenger manifest. [4] The U.S. State Department imposed sanctions on Agroplast over the transfer, which was believed to have been only a portion of a larger deal to ship up to forty complete MiG-21s to North Korea. [5, 6] The government of Kazakhstan, which risked losing \$14 million in U.S. aid, admitted to being the source of the MiGs, with Agroplast acting as a middleman, although it denied any knowledge of the shipment's destination. [7, 8]

Editor's Note: While Czech media reports referred to the sale of an "anti-missile system," the weaponry is more likely an anti-aircraft system with limited effectiveness against cruise missiles. North Korea's air defense system, though antiquated, is one of the world's densest, employing a combination of anti-aircraft artillery, machine-guns, and various Soviet-supplied surface-to-air missile (SAM) systems, complemented by interceptor aircraft. The acquisition in 1987 of Soviet SA-5 SAMs is thought to have significantly improved North Korea's ability to defend against high-altitude targets. [9] The system allegedly supplied by Agroplast may have been intended to serve a similar purpose.

Sources: [1] "Trial of Alleged Arms Dealers Postponed," CTK National News Wire, May 12, 2004. [2] "Czech Court Adjourns Trial against Suspected Arms Dealers," *Prague Czech Happenings*, May 12, 2004. [3] "Czech News Agency

Weekly Schedule of Events for 8-16 May 04," *Prague CTK* in FBIS EUP20040507000233, May 7, 2004; [4] Jeffrey Donovan, "Profits of Doom," *Prague Post*, February 2, 2000, <<http://www.praguepost.cz/news011200a.html>>. [5] "Kazakhstan Fighter Sales to DPRK," NAPSNet Daily Report, February 25, 2000, <<http://www.nautilus.org/napsnet/dr/0002/FEB25.html#item1>>. [6] "Imposition of Lethal Military Equipment Sanctions Against the Government of Kazakhstan and Partial Waiver of These Sanctions," Department of State, Federal Register: Public Notice 3175, December 15, 1999, <http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=1999_register&docid=99-32499-filed>. [7] "Korean People's Army Air Force," GlobalSecurity.org, April 22, 2004, [8] "U.S. Sanctions Kazakh, Czech Firms for MiG Sale," The Conventional Arms Transfer Project, November 23, 1999, <<http://www.clw.org/cat/newswire/nw112399.html>>. [9] "North Korea: The Foundations of Military Strength," Federation of American Scientists website, <http://www.fas.org/irp/dia/product/knfms/knfms_toc.html>.

Japanese Trading Firm Receives Sanctions and Two Given Suspended Sentences for Attempted Inverter Smuggling to DPRK

On June 11, Japan's Ministry of Economy, Trade, and Industry (METI) announced that ID Support, a Japanese trading firm, would be prohibited from exporting goods for four months for attempting to smuggle an inverter to North Korea. [1] A month earlier the head of the company and an associate were sentenced for the attempted transfer of the item. Inverters are used to control the electrical current and the spinning of industrial equipment such as washing machines or centrifuges. [2] Analysts and customs officials were concerned that North Korea was trying to acquire inverters for gas centrifuges as part of its uranium enrichment program.

In 2003, Yoshifumi Yoshihara, president of ID Support, and Lee Yong Sun, an ethnic Korean woman living in Japan, attempted to export an inverter to North Korea, but the inverter was returned to Japan in December. Yoshihara originally attempted to export the inverter by sea mail from the port of Yokohama, but was notified by METI that he needed to obtain export approval. When his application to ship the part to North Korea was rejected by the Yokohama customs office, Yoshihara enlisted Lee to transport it in her hand-carried baggage on a flight from Nagoya airport to China. [1, 2, 3]

Customs officials apparently became suspicious of Yoshihara's activities in August 2003 after receiving his application to export the inverter. Subsequent police raids of Yoshihara's residence and his company's office revealed that ID Support had been exporting medical equipment, cars, and consumer goods to North Korea since 2000. Seized company records also showed that a North Korean company had placed an order for the inverter in May 2003. Yoshihara, however, claimed to be unaware that the inverter could be used for military purposes. [3]

On May 10, 2004, the Yokohama District Court in Japan sentenced Lee Yong Sun and Yoshifumi Yoshihara to suspended prison terms for their roles in the smuggling case. [4] The two defendants were convicted under Japan's Foreign Exchange and Foreign Trade Law, which requires approval from METI before a firm can export inverters to North Korea and other designated countries. [4] Yoshihara and Lee received a one-year sentence and a ten-month prison term, respectively. However, both sentences were suspended for three years. [5]

Editor's Note: North Korea is still probably years away from establishing a large-scale uranium enrichment plant, but estimates vary from about 1-2 years to the end of this decade. [6]

Sources: [1] Kyodo News Service, "Japanese Firm Sanctioned for Sending Potential Nuclear Part to North Korea," BBC Monitoring Asia Pacific, June 11, 2004, in Lexis-Nexis, <<http://www.lexis-nexis.com>>. [2] Barbara Demick, "N. Korea May Have Nuclear Backup Plan," *Los Angeles Times*, February 24, 2004, p. A7. [3] "Two Arrested in Japan for Illegal Export to North Korea," *NIS Export Control Observer*, February 2004, pp. 22-23. [4] "2 Found Guilty over Attempt to Illegally Export Inverter to N. Korea," Japan Economic News Wire, May 10, 2004, in Lexis-Nexis, <<http://www.lexis-nexis.com>>. [5] "Japanese, NKorean Found Guilty of Illegally Exporting Machine Parts," Agence France Presse, May 10, 2004. [6] Daniel A. Pinkston, "Special Report: Foreign Assistance and Procurement for the North Korean Nuclear Program," *Asian Export Control Observer*, April 2004, pp. 19-21.

Two Chinese Companies Fined for Violating Regulations on Missile Export Control

On May 25, 2004, China's Ministry of Commerce (MOFCOM) announced that it had fined two companies millions of yuan for violating export control regulations on missiles and missile technologies. MOFCOM declined to identify the two firms, but described one as a foreign trade company based in Jiangsu Province and the other as a Shandong Province-based chemical manufacturer. [1, 2] According to a MOFCOM spokesperson, the companies violated the *Regulations of the People's Republic of China on Export Control of Missiles and Missile-related Items and Technologies*. [2] In the same statement, MOFCOM warned other companies to abide by China's export control laws and regulations, which "not only benefit national security and public interest, but also the companies themselves." [1]

This is the first case in which Chinese authorities have made public the punishment of firms for export control violations. Although MOFCOM did not provide the names of the companies, the offenses they committed, or the amounts of the fines levied, the ministry's identification of the home provinces and industries of the two firms amounted to the highest level of specificity seen thus far in China's internal export control efforts.

In December 2003, China released its first *White Paper on Nonproliferation*, which described China's overall position on nonproliferation and discussed measures, including the punishment of violators, which Beijing was taking to prevent unauthorized exports. The *White Paper* was unprecedented for its detailed explanation of the various steps in China's export procedures, such as registration, licensing, end-user certification, and *catch-all* clauses, as and its identification of the government bodies responsible for implementation and enforcement. [3] The White Paper emphasized the importance of prompt and effective promulgation of new export control regulations and procedures throughout the business community. The document also called for increased self-discipline on the part of enterprises. The penalties appear to be an attempt by China's export control officials to demonstrate to domestic firms the importance of compliance with China's increasingly stringent export controls. [3]

Editor's Note: On May 4, 2004, the U.S. State Department imposed sanctions on five Chinese companies for allegedly transferring to Iran equipment and technology controlled by international export control lists or otherwise capable of aiding in the development of missiles or WMD. The firms sanctioned were China North Industries Corporation (Norinco), China Precision Machinery Import/Export Corporation (CPMIEC), Beijing Institute of Opto-Electronic Technology (BIOET), Oriental Scientific Instruments Corporation (OSIC), and Zibo Chemical Equipment Plant. [4]

Sources: [1] "2 Chinese Firms Fined for Violating Missile Export Rules," *China View*, May 25, 2004, <http://news.xinhuanet.com/english/2004-05/25/content_1490243.htm>. [2] "Liang gongsi yin weifan chukou guanzhidi youguan guiding zao xingzheng chufa" (Two Companies Fined for Violating Regulations Related to Export Controls), Ministry of Commerce of the People's Republic of China, May 25, 2004, <http://www.mofcom.gov.cn/article/200405/20040500225170_1.xml>. [3] "White Paper on China's Non-Proliferation Policy," *China WMD Database*, December 3, 2003, <http://www.nti.org/db/china/engdocs/nprolwp_03.htm>. [4] Department of State, "Public Notice 4680," Federal Register 69:67, April 7, 2004, <<http://wais.access.gpo.gov>>.

Regional Round-up

Suntek Microwave Settles Charges of Illegal Exports. California-based Suntek Microwave, Inc. pled guilty to violating the Export Administration Regulations (EAR) and received a fine of over \$339,000 and a 20-year denial of export privileges. Former Suntek president Charlie Kuan pled guilty to similar charges, and is currently awaiting sentencing. The Bureau of Industry and Security (BIS) charged that Suntek failed to obtain necessary export licenses for the sale of detector log video amplifiers (DLVA) to China. DLVAs can be used in radar, missile, and satellite communications. BIS accused Suntek of knowingly supplying false end-user information. The settlement represented the first criminal conviction in a deemed export case. [1] Firms Accused of Illegally Shipping Military Hardware to Iran and China. Rotair Industries Inc., a Bridgeport, Connecticut-based firm specializing in helicopter parts, pled guilty to two counts of knowingly violating the U.S. Arms Export Control Act. The case was the result of a six-year investigation by U.S.

customs officials that began with the discovery that military helicopter parts produced by Rotair were sold to a Hong Kong buyer without a required license, then diverted to Iran. On two separate occasions, federal agents posing as arms dealers purchased parts from Rotair without the required export license. In a similar case, Kwonhwan Howard Park, a South Korean national, pled not guilty to helping to divert two Black Hawk helicopter engines to China. Park was detained for questioning as he boarded a flight from Washington, D.C. to China, at which point agents found sophisticated night-vision equipment (also included in the State Department's Munitions List) in his carry-on luggage. [2]

Russian Officials Seize Undocumented Instrument from South Korea. Russian officials on Sakhalin Island seized an instrument that was reportedly intended for use in pipeline construction. Tests found that the instrument contained Strontium 90 and Cesium 137, and emitted a level of radiation 100 times natural background. Although it was reported to have been shipped from South Korea, the instrument was not accompanied by supporting documentation. [3]

ARF Issues Statement on WMD Proliferation. On May 12, 2004, members of the ASEAN Regional Forum (ARF) met in Yogyakarta, Indonesia to discuss the content of statements to be made at the forum's annual ministerial meeting in July. A draft statement on nonproliferation, proposed by the United States, encouraged ARF nations to strengthen their export control capabilities, and increase information-sharing and cooperation to stop illicit trafficking in nuclear, biological, and chemical weapons-related materials. A separate draft statement on transport security, reportedly proposed by the Philippines, called for a strengthening of the legal cooperation framework to combat terrorism, as well as joint military exercises to prevent future terrorist attacks on transport facilities. However, both statements are subject to further revision before the July ministerial meeting. [4]

Sources: [1] "Suntek Microwave, Inc. and Company President Settle Charges of Illegal Exports," Bureau of Industry and Security, U.S. Department of Commerce, May 6, 2004, <<http://www.bxa.doc.gov/News/2004/SunTeckMay04.htm>>.

[2] Jack Dolan, "Pleas Entered to Illegal Arms Charges," *Hartford Courant*, May 11, 2004, p 7. [3] "Open Source Reporting: Illicit Trafficking of Nuclear Materials," Department of Homeland Security Nuclear Assessment Program, March 2004. [4] Siti Rahil, "Kyodo: ARF Seen to Issue Statements on WMD, Terror Attacks," Tokyo Kyodo World Service in FBIS JPP200405120001333, May 12, 2004.

International Export Control Regimes

China Joins the Nuclear Suppliers Group

The Nuclear Suppliers Group (NSG), a multilateral export control regime that controls the transfers of sensitive nuclear items and technologies, approved China's membership on May 28, 2004, during its Fourteenth Plenary Meeting in Göteborg, Sweden. Estonia, Lithuania, and Malta were also approved as the new Participating Governments to the Group. Their participant status took effect by an exchange of notes on June 10, 2004. [1]

China submitted an application for NSG membership in January 2004. The Chinese government hailed the NSG decision as an important milestone in the Group's history, and stated that China's membership would further strengthen the international nuclear nonproliferation efforts. [2] Beijing is also seeking membership in the Missile Technology Control Regime (MTCR). [3] (*See a special report on China's application to the MTCR below.*)

China's NSG membership was not without controversy, including within the U.S. government. While supporters saw China's membership as a positive step toward promoting nuclear nonproliferation, opponents raised serious questions about Beijing's proliferation record and were skeptical of China's willingness and ability to enforce nonproliferation measures. [4]

Opponents' concerns were not without reason. Over the years, suspected Chinese nuclear proliferation activities have been a highly contentious issue in U.S.-China relations. During the 1980s and 1990s, China allegedly engaged in a number of questionable nuclear transactions, providing nuclear reactors and technologies to Algeria, Pakistan, and Iran without proper safeguards arrangements with the International

Atomic Energy Agency (IAEA). The U.S. government has imposed sanctions on Chinese companies and entities and consistently pressured the Chinese government to change its policy. [5]

Since the mid-1990s, Beijing has made significant progress in its nuclear nonproliferation policy. After joining the Nuclear Nonproliferation Treaty (NPT) in 1992 and supporting its indefinite extension in 1995, Beijing made formal pledges not to transfer nuclear items and technologies to un-safeguarded facilities and issued a series of domestic regulations governing nuclear and nuclear dual-use exports. China joined the Zangger Committee in October 1997 and began to adopt the NSG dual-use list in its export control regulations. [6]

China has also begun to comprehensively develop and strengthen its domestic export control system. In fall 2002, Beijing issued a series of new regulations governing nuclear, chemical and biological, missile, and military trade. More detailed ministerial division of responsibilities and inter-agency consultation were put into place. China's nuclear and nuclear dual-use control lists, for instance, closely follow the NSG "trigger list." [7] (*See Overview of China's Export Control System on page 15 of this issue*)

Sources: [1] "NSG Plenary Meeting, Göteborg, Sweden, 27-28 May 2004," Press Statement, Nuclear Suppliers Group website, <<http://www.nuclearsuppliersgroup.org/PRESS/2004-05-goteborg.pdf>>. [2] Chen Gang, "China Joins Nuclear Suppliers Group," *China View*, 28 May 2004 <http://news.xinhuanet.com/english/2004-05/28/content_1496479.htm>. [3] Hu Xiao, "Nation Seeks Non-Proliferation Group Status," *China Daily*, 4 June 2004 in FBIS CPP20040604000005. [4] Statement by John S. Wolf, Assistant Secretary, Bureau of Nonproliferation, U.S. Department of State, before the House International Relations Committee, 18 May 2004 <<http://usinfo.state.gov>>; Carol Giacomo, "U.S. Backs China Joining Nuclear Group," Reuters, 18 May 2004; Wade Boese, "Congress Questions U.S. Support for China Joining Nuclear Group," *Arms Control Today*, Vol. 34, No. 5 (June 2004); "Helping China Proliferate," *Washington Times*, June 1, 2004. [5] For a complete list of U.S. sanctions on China see the Center for Nonproliferation Studies' *China WMD Database* on the NTI website <<http://www.nti.org/db/china/>>. "China" in Joseph Cirincione with Jon B. Wolfsthal and Miriam Rajkumar, *Deadly Arsenals: Tracking Weapons of Mass Destruction* (Washington, D.C.: Carnegie Endowment for International Peace, 2002). [6] Jing-dong Yuan, "China's Pragmatic Approach to Nonproliferation Policy in the Post-Cold War Era," in Suisheng Zhao, ed., *Chinese Foreign Policy: Pragmatism and Strategic Behavior* (Armonk, NY: M.E. Sharpe, Inc., 2003), pp.151-176. [7] Jing-dong Yuan, Phillip C. Saunders, and Stephanie Lieggi, "New Developments in China's Export Controls: New Regulations and New Challenges," *The Nonproliferation Review*, Vol 9, No.3, Fall-Winter 2002, pp.153-167.

China's Bid to Join the MTCR: Cost and Benefits

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

In September 2003, Chinese Foreign Minister Li Zhaoxing sent a letter to the then-chair of the Missile Technology Control Regime (MTCR), Mariusz Handzlik, in which he clearly stated that China was ready to consider applying to join the regime. The first round of negotiations between Chinese officials and an MTCR delegation headed by the new chairperson, Carlos Sersale di Cerisano of Argentina, was held in Paris in mid-February 2004. The discussions focused on comparing Chinese law—in particular the missile-related control list—with the MTCR Annex. A second round of technical exchanges on the expert level was held in Beijing June 1-2, 2004 and focused mainly on the enforcement mechanisms of China's missile-related export controls. The MTCR experts concluded that China's enforcement procedures met MTCR standards, and no further consultations on the enforcement issues were needed. [1]

China's interest in MTCR membership raises at least two questions. First, if the MTCR deems Chinese membership acceptable in principle, what will be the potential bargaining chips in negotiations between China and the regime and, most importantly, between China and the United States? And second, in the long run, will China be more of an asset or a burden to the MTCR once it is admitted?

For China, the obvious advantages of joining the MTCR would be access to new technology and participation in space-related projects that are not available to non-regime members. A resumption of the practice of launching U.S. satellites aboard Chinese rockets, for instance, would pay immediate dividends for Beijing. In January 1995, the United States and China signed an Agreement Regarding International Trade in Commercial Launch Services that gave Beijing the right to launch 15 U.S.-built satellites into geosynchronous

orbit through 2001. However, the downturn in U.S.-China relations in the late 1990s and early 2000s rendered the agreement ultimately nonfunctional and its prospects for extension very unclear. Presently, the negotiations are in limbo, although there is reason to believe that both sides will use the issue as a bargaining chip while negotiating the terms of China's accession to the MTCR.

Another bargaining chip could be China's participation in building the International Space Station (ISS). In October 2003, China launched its Shenzhou-5 spacecraft into orbit with astronaut Yang Liwei on board, thus becoming the third nation to launch a man into space. The Chinese space program is ambitious, calling for the construction of a space station and a space shuttle, as well as lunar exploration, by 2010. The ISS, a 16-nation, \$95 billion endeavor, could use the expertise and potential of the China's space program and Chinese financial support. However, China's participation in the ISS also has a significant political dimension, aside from its pragmatic and financial aspects. China's questionable human rights and nonproliferation records have been a subject of debate in the Congress. As of today, the United States has not demonstrated a desire to cooperate with China in new space endeavors. One reason for Washington's uncooperative reaction is a strong suspicion that China's space effort is less a civilian program than a military endeavor that could eventually threaten the United States. [2] Experts argue that it is possible to develop military space technology through a manned program, and that China's piloted Shenzhou spacecraft could serve as a reconnaissance platform. In such a case, bringing China into an ISS partnership that involves sharing information and technology would risk proliferating space technology with military applications to Beijing. Given China's proliferation record, the risk of transferring military technology to China could equate to the proliferation of missile technology from China to countries of concern. Although it is not exactly clear what political and commercial clout the issue of China's participation in the ISS will have in negotiating China's membership in the MTCR, it is more than likely that this issue will be, or already is, on the agenda of U.S.-China bilateral talks.

The conventional wisdom suggests that it is in the United States' interest to see China become a vigilant and responsible exporter of missile technologies, and that binding Beijing with MTCR norms and obligations would be a step in the right direction. However, envisioning the potential repercussions of Chinese membership in the regime suggests that the administration's decision whether to let China in will not be easy. For many years, China has been one of the major targets of U.S. domestic and international export control efforts. The U.S. government has exhibited a tendency to treat Chinese declarations relating to nonproliferation with distrust and suspicion. Many in Washington hold that China has not fulfilled its stated commitment to comply with MTCR rules, and believe that there is no guarantee that Beijing will not cheat on its obligations if it becomes a full-fledged member of the regime. The concern for these skeptics is that an irresponsible member would undermine the integrity of the MTCR.

The United States has a tendency to categorize MTCR members as more trusted and less trusted. Less trusted partners receive less privileged treatment from Washington when it comes to sharing of technology or help in developing civilian space programs. In the case of China, it is more than likely that cooperative space projects with the United States, and possibly some other Western nations, will experience difficulties arising from a lack of trust in Beijing's nonproliferation declarations and MTCR commitments. Many in the U.S. government and Congress still argue that transferring dual-use technology to China for joint space projects would contribute to China's effort to refine its ballistic-missile capabilities, or that China would secretly re-export technology it obtained from joint space projects to third parties. A long-time tradition of viewing China as a cheater will not vanish overnight, even after China's formal accession to the MTCR.

Another concern some U.S. government officials appear to have stems from China's potential impact on efforts to reach consensus on key decisions within the MTCR. Some observers argue that having a powerful member which is likely to have a "special opinion" on key issues would be destructive for a consensus-based regime. When making a decision on whether to bring China into the MTCR, the regime members will attempt to ensure that the new participant will contribute to constructive decision-making within the institution. As of today, there are certain doubts and concerns in this respect. Will China share the common perception of the rules and norms in the regime, or will it opt for a narrow interpretation of compliance? Will China facilitate more stringent control measures within the regime, or will it obstruct the introduction of such measures? Will China actively share information with other regime members, or will it be reluctant to do so? Will other members trust China enough to share sensitive information? The Chinese government has

definitely come a long way from condemning the MTCR to considering full-fledged membership in the regime, but it remains unclear whether Beijing has come far enough to become a genuinely valuable addition.

Sources: [1] "China Holds Membership Talks with Missile Technology Control Regime," Agence France Presse, June 3, 2004; Author's interview with an MTCR official, June 7, 2004. [2] Tariq Malik, "U.S. Snubbed China's Offer for Space Cooperation: 'Technology Not Mature'," Space.com, April 28, 2004, <http://www.space.com/news/us_china_040428.html>.

International Developments

Panama, United States Sign Ship Boarding Agreement

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

In a continued expansion of the Proliferation Security Initiative (PSI), Panama and the United States signed a ship boarding agreement that provides reciprocal authority to board vessels suspected of carrying illicit shipments of WMD, their delivery systems, or related materials. The *Panama-United States PSI Ship Boarding Agreement* was signed on May 12, 2004, in Washington, DC for Panama by His Excellency Arnulfo Escalona, the minister of Government and Justice of Panama, and for the United States by John Bolton, Undersecretary of State for Arms Control and International Security. [1, 2]

The agreement is an amendment to the so-called Salas-Becker pact, an existing maritime arrangement between Panama and the United States that allows U.S. Coast Guard officials to board Panamanian-registered ships in search of narcotics. That pact was signed in February 2002. [3] Under the new agreement, Panama and the United States may request to board ships registered in the other country outside the boarding country's territorial waters and seize the cargo if it is related to unconventional weapons. Each country has two hours to respond to the other's requests. If there is no response, the boarding may proceed. [4]

Panama is the world's largest ship registry, with nearly 5,700 cargo ships sailing under the country's flag. [3] Panama is the second state to sign a PSI ship-boarding agreement. The United States and Liberia signed a similar agreement on February 11, 2004. Together, Panama and Liberia account for roughly 30% of the world's commercial shipping tonnage. [5] Almost 50% of global commercial shipping—ships registered in Panama, Liberia, and PSI core partner countries—is now subject to PSI procedures for boarding, search, and seizure. [2] According to State Department Spokesman Richard Boucher, the United States hopes to sign similar deals with other shipping registry countries. [1]

At the May 12, 2004 signing ceremony, Escalona noted that "this agreement sends a clear message to anyone who would traffic in these sort of illegal materials that neither Panama nor the United States will stand for the use of their vessels in this type of activity." [2]

Sources: [1] Richard Boucher, "State Department Regular Briefing," May 12, 2004, Federal News Service; in Lexis-Nexis, <<http://www.lexis-nexis.com>>. [2] "Signing of the U.S.-Panama Ship Boarding Agreement to Support the Proliferation Security Initiative (PSI), Fact Sheet, May 12, 2004, U.S. Department of State website, <<http://www.state.gov/t/us/rm/32413.htm>>. [3] Kathia Martinez, "Official: U.S. Can Board Panamanian Ships," Associate Press, May 11, 2004; in Lexis-Nexis, <<http://www.lexis-nexis.com>>. [4] Judith Miller, "Panama Joins Accord to Stem Ships' Transport of Illicit Arms," *New York Times*, May 11, 2004, p. A11; in Lexis-Nexis, <<http://www.lexis-nexis.com>>. [5] "Statement by President: Panama's Signing of Ship Boarding Agreement," White House Press Release, May 12, 2004, U.S. Department of State website, <<http://www.state.gov/t/np/rls/prsrl/32420.htm>>.

Export Controls In Focus

Overview of China's Export Control System

By Stephanie C. Lieggi

China has made significant progress in strengthening and expanding its export control system in the last few years. In a major change from policies of the 1980s and early 1990s, when transfers from China assisted the WMD programs of a number of countries, Beijing has taken an increasingly proactive approach to nonproliferation and export controls. A combination of factors has brought the issue of export controls to the highest level of China's leadership, including the impact of international pressure (particularly from the United States); concerns about Beijing's reputation as a responsible player in the international community; and a recognition of the threat that WMD proliferation poses to China's own security. The movement toward strengthening export controls took a more pronounced step in the first two months of this year, as China applied to join the Nuclear Suppliers Group (NSG) and began discussions on future membership with the Missile Technology Control Regime (MTCR) (*See related articles on pages 11 and 12 of this issue.*)

China's Proliferation History

In the 1980s, as economic reforms reduced government support for China's defense industries, military enterprises and related companies sought foreign markets for their products. This resulted in the transfer of WMD-related materials to various countries in Asia and the Middle East, including North Korea, Pakistan, Iran, and Syria. (*For an extensive list of transfers in this period, see the China WMD Database at www.nti.org/db/china.)* The U.S. government responded harshly to China's proliferation activities. Throughout this period Washington pressed China to adhere to international nonproliferation and export control regimes, imposed sanctions and placed the improvement of China's nonproliferation policy on the U.S.-China bilateral agenda.

Washington continued to exert pressure on Beijing in the 1990s, and some improvement in China's nonproliferation behavior, while sluggish, was evident. During this period, China joined the Nuclear Nonproliferation Treaty (NPT) and the Zangger Committee, and ratified the Chemical Weapons Convention (CWC). In 1991, China agreed to abide by the key parameters of the MTCR. However, Chinese firms, many with ties to the military, continued to exploit loopholes and ambiguities in Beijing's public commitments to export missile components and missile production technology to numerous countries of concern. While China had by the mid-1990s stopped transfers of complete missile systems and major sales of unsafeguarded nuclear materials and technology, the export of sensitive dual-use equipment and technology continued, contributing to foreign WMD and ballistic missile development programs.

Strengthening China's Export Controls

Beginning in the late 1990s and culminating in the summer and fall of 2002, Beijing carried out a comprehensive review and strengthening of its export control regulations and control lists. [1] The resulting export control regulations gave a clearer outline of the governmental organizations responsible for implementing and enforcing the regulations. This picture improved further with the release of China's first *White Paper on Nonproliferation* in December 2003. [2] Prior to the release of these regulations, China's export control system consisted mainly of executive decrees and legislative regulations that were often ambiguous and unpublicized. While ambiguities regarding the policymaking process remain, the changes in China's export control system over the past five years have been significant. The current export control system is more transparent, and legislation spells out some procedural details within the export control system and the roles of agencies involved. China's regulations and control lists also closely mirror those of all the major regimes, including the NSG, MTCR and the Australia Group. [1]

During the last few years, Beijing's focus has been increasingly on the implementation and enforcement of export control regulations, which now include *catch-all* clauses. Current regulations place greater emphasis on industry's responsibility for knowing what the end-user (their customer) plans to do with the item in question. China's current legislation also spells out punishments for violators more clearly than earlier

regulations and decrees. However, China's legal and export control systems are still immature; problems with limited government capacity continue to inhibit implementation of export control laws. An inability to make proper and timely use of *catch-alls* remains a major problem, both for industry and for government agencies, and Chinese entities still appear able to avoid punishment for illegal transfers. [3]

China's Export Control Related Organizations and Processes

The State Council, China's cabinet, sets the overarching policy for the export control system. For larger military items or items that may affect national security, the Central Military Commission (CMC), along with the State Council, plays a leading role in the application process. The State Council and the CMC are also involved with the review process for the export of MTCR category 1 items, but these transactions are very rare. (China last transferred a category 1 system in the early 1990s.)

The Ministry of Commerce (MOFCOM) is largely responsible for the implementation of China's export controls for dual-use items. According to China's Foreign Trade Law, MOFCOM is tasked with issuing export permits for all exporting firms. MOFCOM's Department of Science and Technology (DST) grants export licenses on a case-by-case basis, and is the main implementing body for China's export control system. On most dual-use items (excluding nuclear and CWC controlled chemicals), DST receives the export application first. DST decides whether to grant an application, often after consultations with other relevant agencies and experts. In general, very few applications are ever officially denied. Instead, firms seeking export licenses will often inquire unofficially first with DST to determine whether the application will be approved. Most unacceptable applications are rejected during this unofficial 'pre-screening.' MOFCOM estimates that about 5 to 10% of all applications for dual-use items are unofficially denied in this way. [4]

The Commission on Science and Technology for National Defense (COSTIND) reviews applications for the export of military-related items, including missile-related items. Previously under the control of the military, COSTIND has officially been a civilian agency answering directly to the State Council since the government reorganization of 1998. However, the influence of the military and China's defense industry within COSTIND is still considerable. The PLA's General Armament Department also plays a significant advisory role in vetting applications and is involved in the review process for export of military-related items. The military's continued involvement in the export control process has been a barrier to efforts to strengthen export controls. Sensitive exports that have the backing of the PLA or from firms connected to the military remain less likely to be scrutinized by the civilian authorities. (Many of the sanctions by the United States against Chinese entities, especially in the last few years, have involved Chinese companies with ties to COSTIND and the military). [5]

China Atomic Energy Authority (CAEA), bureaucratically under COSTIND, is responsible for vetting nuclear-related exports. Applications for nuclear-related items go first to the CAEA and then are passed to either COSTIND (for nuclear materials) or MOFCOM (for dual-use items.) The number of companies involved with nuclear exports in China is limited, and CAEA has an on-going relationship with these companies. This allows CAEA to unofficially prescreen proposals in a similar manner to MOFCOM's informal prescreening process. [4]

The Chemical Weapons Convention Implementation Office (CWCIO), under the National Development and Reform Commission (NDRC), processes applications for the export of chemicals controlled by the CWC. Once an application has been reviewed by the CWCIO it is passed to MOFCOM for processing. The CWCIO employs experts with chemical backgrounds and manages the various declaration and inspections requirements under the CWC. Applications for chemical exports, both CWC-controlled (Schedules 2 and 3) and dual-use items, make up the vast majority of export control applications processed through the system. This large volume of applications has made chemical exports the most difficult area for China to control. [4]

The Ministry of Foreign Affairs (MFA) is involved in setting export control policy and plays an influential advisory role during the application process. The MFA's Department of Arms Control and Disarmament (DACD) is the primary agency within the Ministry dealing with export controls, and can act to block licenses that its experts consider likely to affect China's foreign relations (particularly U.S. relations.)

The General Administration of Customs (GAC or Customs) is the executing body for the domestic export control system. However, Customs' continued lack of capacity and jurisdiction remains a major problem for implementation and enforcement. GAC's jurisdiction is limited to China's ports of entry and Customs agents are unable to investigate effectively export control violations beyond this limited area. Customs officials have asked for more training and assistance in order to train their staff to recognize export control violations and how to inform MOFCOM about suspicious items. However, the central Customs authority lacks sufficient control of its agents outside of Beijing, and graft remains a serious problem in China's local Customs offices. Local corruption continues to impinge on Beijing's ability to implement export controls at the ground level. [3]

According to officials working within the Chinese export control system, the agencies involved in export controls do coordinate policy and implementation. However, the internal procedures for this coordination have not been made public, making it difficult to fully judge the process. In order to improve communication within the system, MOFCOM is establishing a central database of export control applications that would be available to the GAC and other agencies. There are also plans to establish an "Emergency Response System" that would help Commerce inform various players within the system, especially the GAC, of enforcement issues quickly.

Although the coordination within China's export control system is improving, problems remain, especially in the coordination between implementation agencies, such as Ministry of Commerce, and law enforcement agencies. China's Public Security Bureau and the Ministry of State Security, the agencies primarily responsible for enforcing laws, are only slowly placing the issues of nonproliferation on their list of priorities. This lack of priority placed on nonproliferation by law enforcement has meant implementing agencies have had difficulty pursuing cases where there is evidence of export control violations. [4]

Progress and Challenges

China has made significant changes in policy towards export control regimes such as the MTCR, NSG and the Australia Group. Until a few years ago, Beijing was highly critical of suppliers groups, which it considered discriminatory. However, in the last few years, the growing Chinese nonproliferation and arms control community has had success in promoting policies bringing Beijing's laws more in line with these regimes. While recent policy statements have continued to argue for nondiscrimination in export control policies, actions and statements by agencies and individuals involved in China's export control system suggest that Beijing is paying closer attention to the proliferation risk of particular companies inside and outside of China. [6]

Between 1997 and 2002, the United States government sanctioned Chinese entities five times for reported CW-related transfers to Iran. Many of the transfers that triggered these sanctions were based on items from the Australia Group control lists that were not included in the CWC schedules. In an apparent attempt to avert future U.S. sanctions and to strengthen its control on dual-use chemicals and biological agents, China promulgated chemical and biological export control regulations and control lists in 2002 that covered all items listed in the CWC schedules and the Australia Group control lists. Although Beijing has joined the Zangger Committee and the NSG, and begun negotiations to join the MTCR, it has not applied to join the Australia Group, in large part due to the lack of enthusiasm among many AG members toward the idea of Chinese membership. Although China is unlikely to apply for membership under current conditions, attitudes towards the Group appear to be changing within China's foreign policy apparatus, as are concerns about the proliferation risk of transfers to certain end-users, such as Iran. [7]

China joined the Nuclear Suppliers Group in May 2004. The United States and other western countries had previously criticized China for assisting nuclear aspirants such as Pakistan, Iran and North Korea. In response to this pressure, as well as changes in China's outlook on requirements for its own national security, current export controls for nuclear materials provide a stronger legal basis to block transfers that could materially assist other states' nuclear weapons programs. China's export control regulations now require government approval for all nuclear-related sales, and prohibit the export of nuclear equipment, personnel, and technology to unsafeguarded nuclear facilities. However, until its entrance into the NSG in May, China had not accepted the principle of full-scope safeguards, which meant that Chinese companies could cooperate

legally with Pakistani civilian nuclear facilities that had IAEA safeguards agreements. While it is unclear to what extent China-Pakistan cooperation will continue now that China has joined the NSG, the suppliers group has allowed members in the past to fulfill contracts that were made prior to joining the group. This “grandfather” clause would mean that Chinese companies with pre-existing contracts could continue to work with Pakistani firms for the near future. (See relevant articles on pages 4 and 12 of this issue.)

China’s export control officials have focused more heavily on training relevant personnel in nonproliferation and issues surrounding export controls and are developing implementation guidelines for all levels of the domestic system. Agencies within the system, particularly MOFCOM and MFA, have reported an increase in cooperation and information sharing, and export control officials are openly seeking cooperation with foreign governments in an effort to improve China’s system. In an important change from the past, examples of enforcement activities are being discussed more openly, and even reported in the domestic press. According to public statements by MOFCOM and MFA officials in late 2003, a number of companies were under investigation for violations of China’s export control regulations, and officials have admitted that at least one company had its export privileges revoked and its general manager imprisoned for export control violations. Most recently, MOFCOM announced that two companies had been fined for export control violations. (See relevant article on page 10 in this issue.) However, public details on all of these enforcement precedents have remained limited, and the companies have not been publicly identified.

Despite Beijing’s progress, skeptics outside China, particularly in Washington, continue to take a wait-and-see approach to China’s nonproliferation policies. In June 2004, the U.S.-China Economic and Security Review Commission’s report to Congress stated, “Chinese supplies of technology and components for weapons of mass destruction and their delivery systems to countries of proliferation concern continue to pose significant security issues for the United States.” [8] This report, while pointing out a number of deficiencies still present in the Chinese system, ignored many of the positive changes that have occurred in the last few years some of which were discussed in the Commission’s July 2003 hearing on China’s proliferation practices. [9] Despite some continued skepticism in Washington, Beijing’s export control policies appear to be moving in a positive direction. On balance, ongoing problems within China’s export control system appear to be attributable more to insufficient capacity than to insufficient political will.

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Special Report

The U.S. Container Security Initiative in Asia

By Shi-Chin Lin

The Container Security Initiative (CSI), which is managed by the U.S. Customs and Border Protection (CBP) under the Department of Homeland Security (DHS), aims to identify and examine maritime containers that “pose a risk for terrorism” at foreign ports before they are shipped to the United States. [1] CSI evolved from the concept of “extend[ing] our zone of security outward, so that American borders are the last line of

defense, not the first.” Nearly ninety percent of the world’s trade is conducted via container shipping, with about seven million containers arriving in the United States each year. [1] Announced in January 2002, CSI focuses on four major elements: 1) using intelligence and automated information to target containers that pose a risk for terrorism; 2) pre-screening containers that may pose a risk at their ports of departure; 3) using detection technology quickly and efficiently to pre-screen containers that pose a risk; and 4) using smarter, tamper-resistant containers. Under agreements signed with foreign countries, CBP deploys officers to overseas ports to work together with local counterparts to determine which containers pose a risk of terrorism and require pre-screening. [2]

Information Sharing and Inspections

The CBP and CSI host nations’ customs officers compile information about shipments into an Automated Targeting System (ATS). According to CBP, effective and swift targeting of suspect containers requires advance filing of accurate and detailed manifest reports. As of October 31, 2002, new regulations mandated the filing of accurate manifest information 24 hours prior to container loading. Vague cargo descriptions including “Freight All Kinds” (FAK) are no longer acceptable. [3] On February 2, 2003, CBP instituted a compliance strategy that included the issuing of “no load” orders, by which U.S. Customs can refuse to allow the loading of noncompliant containers and deny permits to discharge cargo in cases of noncompliance. Inspections are conducted by the host nation’s officers, with CBP officers observing. Non-intrusive inspection (NII) and radiation detection equipment are utilized in this process. Physical inspection of the container contents is conducted in cases of anomalies detected by NII or radiation detectors.

CSI Phase One focused on the 20 ports worldwide that are responsible for seventy percent of all container traffic to the United States. [4] East Asia is home to ports handling some of the world’s highest container traffic volume, making it a logical choice for inclusion in Phase One. Among the ports targeted for inclusion in the initiative in East Asia, Hong Kong, Yokohama, and Pusan (Busan) have already begun to implement CSI. Shanghai and Shenzhen Lantian have signed declarations of principles with CBP and are in the process of implementing CSI. In Southeast Asia, both Singapore and Port Kelang have implemented CSI, with additional ports in negotiations and implementation stages.

East Asian Participation in CSI

Hong Kong is the world’s largest port for container traffic and is also the number one port in terms of the flow of containers into the United States. Some 560,000 containers destined for the United States originate from Hong Kong each year. The Hong Kong Special Administrative Region Government (HKSARG) signed a declaration of principles in September 2002, and CSI has been in operation since May 12, 2003. [5] Despite the 1997 transfer of authority of Hong Kong to the People’s Republic of China (PRC), the HKSARG retains autonomy from Beijing in areas such as export controls, trade and port security.

The relative ease of CBP negotiations with the Hong Kong administration can be contrasted with the more lengthy negotiations undertaken with Chinese officials regarding the ports of Shanghai and Shenzhen. Chinese officials were concerned that the presence of U.S. customs officials in Chinese ports would impinge on Beijing’s sovereignty and judicial independence. In addition, Chinese officials were worried that the inspection procedures would cause unnecessary delays in the processing and shipment of containers. These concerns were resolved during the negotiations, with the agreement that CBP officers would only observe the process, and Chinese customs officers would ultimately determine if a pre-screening needed to be conducted. CBP officers would therefore not be able to detain cargo or personnel, but would instead route such requests through the Chinese customs officials for final decisions. To prevent delays in shipment and processing, the two parties agreed to a time limit for raising inspection requests. If a request is raised after a certain point in time, Chinese inspectors can reject the request. (The exact time limit is unclear. Neither U.S. nor Chinese authorities have released details on the agreement.) All information sharing is to be conducted “in accordance with the scope and method” agreed upon by the U.S. and China. [6]

Japanese participation in CSI initially began at Yokohama, although negotiations are also in place to expand CSI to additional ports in Japan. The port of Yokohama started implementing CSI on March 24, 2003, making it the tenth port worldwide. CSI operations at Tokyo began on May 24, 2004, making it the 19th port

worldwide to implement CSI. Japan also obtained reciprocal screening privileges, allowing Japanese customs officials to be stationed in Los Angeles/Long Beach to screen Japan-bound cargo originating from that port. Japan is the second nation to obtain these reciprocal rights, after Canada. [7]

The South Korean Customs Service signed a declaration of principles with the United States in January 2003, followed by CBP opening an office in Pusan in August 2003. Pusan is the sixth largest port for U.S.-bound container traffic. [8] According to the procedures established by the two governments, Korean customs officers will inspect targeted cargo as requested by CBP officers. If contraband items are discovered during the inspection, the matter will remain under Korean law and jurisdiction. Only Korean cargoes bound for the United States are under the purview of the Pusan's office. Transshipments must be examined at their ports of origin or in other ports where CSI is active. In exchange, the CBP provides expedited processing of screened cargoes from Pusan once they arrive in U.S. ports. [9]

Kaohsiung Harbor (Taiwan) is the only one of the twenty ports listed in Phase One that has not yet signed onto CSI. Kaohsiung is the fifth largest port in the world, and also ranks fourth in terms of U.S.-bound container traffic, after Hong Kong, Singapore, and Shanghai. Formal negotiations for Taiwan's entry into CSI began in September 2003, and CBP officials hope to have an accord signed as soon as possible. Once Kaohsiung joins CSI, CBP officers will be deployed to work with Taiwan's customs service to screen cargoes. [10]

Southeast Asian Participation in CSI

Singapore is the largest transshipment port in the world for U.S.-bound cargo containers. It is also the world's busiest port. Singapore was the first port in Asia to implement CSI, beginning on March 17, 2003. CBP deployed a team of five officers to work with Singaporean authorities to screen and inspect all cargoes prior to their shipment to the United States. Over 80 percent of Singapore's traffic consists of transshipments, often coming from countries with port facilities insufficient to handle the traffic. [11]

Seventy-five percent of Indonesia's exports to the U.S. are routed through Singapore because Indonesia currently does not possess the port capacity at its main international ports to handle the volume of US-bound containers. Local shipping vessels transport most containers to Singapore for transshipment to the United States. Although Indonesia possesses the x-ray scanning facilities required to cooperate with CSI, they lack the funds to operate them to their full capacity. [12] Indonesian exporters have faced extra costs and delays because of the need to ship all containers through Singapore to be inspected. For this reason, the Indonesian government is hoping to negotiate an agreement for CSI inspections to be conducted in Indonesian ports to minimize exporter costs.

Malaysia signed a declaration of principles with the United States in January 2003, with the intention of stationing one CBP officer each at the ports of Kelang and Tanjung Pelapas. [13] CSI is currently operational at Port Kelang, with Tanjung Pelapas set to come online in the coming year. CBP officers will work with Malaysian authorities to jointly screen cargo containers for illicit items including firearms and weapons of mass destruction. Malaysian customs officers will also be sent to the United States for technical training. [14]

Laem Chabang (Thailand) is the 20th ranked port in terms of container traffic to the United States annually. Thai and U.S. customs officials signed a declaration of principles for CSI in June 2003, but Thailand has twice extended implementation deadlines for CSI regulations due to financial constraints and resistance from exporters over additional costs incurred. Although Thai exporters support the initiative, they are resisting paying the costs associated with CSI. Despite their resistance, x-ray machines for scanning cargo containers were installed in the spring of 2004. In addition, Thai customs intends to install special cargo security systems on containers from Cambodia and Laos, which are often shipped through Thai ports, paying special attention to cargo containers bound for the United States. [15]

Similar to Indonesia, vessels originating from the Philippines do not ship containers directly to the United States, and therefore must ship their products via a transshipment port such as Hong Kong. However, the Philippine shipping industry has expressed a desire to join CSI in order to avoid traffic congestion in the major transshipment hubs in East Asia. The Philippine Port Authority has already complied with new

international maritime safety standards, and has also installed x-ray machines that could be utilized in the future under CSI. [16]

Future Plans

Other ports in the region that are in the process of implementing CSI include Colombo (Sri Lanka), Nagoya, Kobe, and Osaka. Phase Two of CSI, which began in the middle of 2003, includes expanding CSI to another 20-25 seaports around the world, in strategic locations or where terrorism is a special concern. [17]

Editor's Note: Under CSI, the reward for proper and prompt filing of detailed manifest information is that containers certified as safe are given expedited unloading after arrival in U.S. ports. There is often a time lag between the time when containers arrive in port and when they are loaded onto outbound vessels. With the expedited process, manifest filings can be conducted during that time lag without causing unnecessary delays. Participating countries are also given the opportunity to send their customs inspectors to U.S. ports to pre-screen containers bound for their nations. [18]

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