
Developing Controls on International Transfers of Arms and Dual-use Goods

Workshop of the Technical Expert Working Group (TEWG) on Dual-Use Trade Controls hosted by Chinese Academy of International Trade and Economic Cooperation (CAITEC) and Saferworld

Summary report

December 2016 | Beijing, China

Introduction

A workshop of the Technical Expert Working Group (TEWG) on dual-use trade controls was held in Beijing on 14 December 2016. The main goal of the workshop was to consider issues and challenges relating to the transfer control of arms and dual-use goods. The agenda was divided into two parts. The first addressed a variety of topics of particular interest to Chinese workshop participants ranging from the national implementation of UN resolutions, to the updating of Wassenaar Arrangement control lists, and industry's role in supporting effective dual-use goods transfer controls. The second part focused on ways and means of preventing diversion of arms and dual-use goods and technologies in the context of the transfer licensing process; by brokering and transportation agents; and through multilateral information exchange. Participants gained valuable insights into these topics and discussed key approaches and ways of working. Presentations reflected examples of existing good practice, both on the part of national governments and on the part of industry where particular attention was paid to the benefits of adopting 'Internal Compliance Programmes' (ICP).

On 13 December a closed-door discussion was held between TEWG members from China, the US, Hungary and the Republic of Korea, and Chinese technical experts from nuclear, chemical and missile backgrounds. The discussion centred on critical issues that were to be raised during the following day's meeting, notably the development and updating of the Wassenaar Arrangement control lists and the reason for including particular widely available items for control.

On 15 December 2016, also in Beijing, TEWG members held additional meetings with trade control experts from the Chinese Academy of International Trade and Economic Cooperation (CAITEC) and academics working on small arms and light weapons (SALW) issues from Tsinghua University and Beijing International Studies University (BISU). The discussions focused on projects undertaken by the scholars at Tsinghua University and BISU including one which addressed the proliferation of SALW in North Africa and the Middle East, as well as Saferworld's Arms Programme and TEWG members' projects.

This report provides a summary of workshop proceedings and of the additional meetings held in Beijing, as well as key conclusions that emerged from the discussions that took place during 13-15 December. While different views and perspectives exist among workshop participants and other interlocutors, Saferworld has strived to gather and reflect the opinions expressed in an accurate and balanced way.

It is hoped that the findings and recommendations in this summary may serve as a basis and foundation for continued structured and informed discussion among TEWG members, ultimately contributing to more effective export control procedures and mechanisms.

Working with Chinese counterparts to share experience and discuss priorities upon preventing diversion

The workshop on 14 December 2016 and the meetings held on 13 and 15 December 2016 were organised under the auspices of CAITEC and Saferworld's joint project on 'Preventing diversion of arms, dual-use goods and technologies by working with Chinese counterparts to share experience and discuss priorities'. This project aims to break new ground in terms of creating opportunities for China and other leading producers and exporters of arms and dual-use goods and technologies to examine ways in which they can promote and further strengthen export controls on arms and dual-use goods.

Under the project, the implementing partners have established an informal dialogue that engages experts from China and other leading producers and exporters of dual-use goods and technologies, exploring how implementation and enforcement of dual-use export controls can be strengthened and mutually reinforced. The engine of the dialogue process is a Technical Expert Working Group (TEWG) of eight policy experts, technical experts and practitioners from China, the Republic of Korea, the US and Hungary.

Workshop proceedings

The purposes of the workshop were two-fold: firstly, to exchange views, concerns and experiences in relation to the topics for discussion, and to identify good practice and explore areas of potential future cooperation on strategic export controls between China and other key producers and exporters of arms and dual-use goods and technologies; secondly, building on the TEWG workshop held in Vienna in September 2016, to have a further discussion of key measures to address the diversion of arms and dual-use goods transfers that could inform the finalisation of the report being produced as part of this project.

As noted above, the workshop was divided into two parts with the first part considering topics of particular interest to the Chinese partners. The expert from the Republic of Korea addressed *the process of updating the Wassenaar Arrangement control list*, setting out the criteria and process for proposing and adopting amendments to the Wassenaar Arrangement dual-use control list. The expert from Hungary then presented on *the implementation of UN Resolutions in national law*, highlighting, in particular, the way in which UN arms embargoes are adopted and implemented by the EU. This was followed by a presentation by a representative of the engineering and manufacturing company, China North Industries Corporation (NORINCO) on *ensuring the implementation of non-proliferation policies: industry's perspective*, which outlined the company's internal

compliance programmes. A presentation was also given by the US member of the TEWG on the subject of *supporting strategic industrial development while preventing proliferation of sensitive goods and technologies*, which highlighted potential weak links in arms transfer controls while outlining the benefits of effective enforcement capabilities and common international approaches to arms and dual-use transfer control.

The second part of the workshop explored a number of key strategies in efforts to address the diversion of transfers of arms and dual-use goods and technologies. A representative of Saferworld considered the question of *Identifying critical diversion risks at the transfer licence application stage*, outlining issues relating to the verification of documentation, the nature of the end-user and its particular circumstances, and a risk of new arms imports leading to re-export and proliferation of old weapons. A Chinese expert addressed the issue of *promoting bilateral and multilateral information sharing*. A further presentation was made by a Chinese expert who outlined *how pre-licensing end use/user certification and post-shipment controls can reduce risks of diversion and re-transfer*. Finally a representative of China University of Political Science and Law presented on *Controlling the risk of diversion involving brokering and transportation agents*, which offered a comprehensive overview of existing legislation and policy relating to arms brokering control in key arms exporting states.

Opportunities were also provided for comments and questions to be directed to presenters during discussions. Questions addressed a variety of issues including:

The benefits to industry of adopting an ICP, which was considered to include *inter alia* greater trust in a company on the part of the licensing authority; the role that external auditing of a company's ICP can have in the further development and increased effectiveness of such a system; and the difficulties encountered in promoting ICP within small and medium enterprises that lacked the necessary resources and expertise.

The process of amending the Wassenaar control list was discussed. It was noted that among the changes suggested by Wassenaar Arrangement Participating States, usually approximately 30-40 per cent of them will actually be reflected in the control lists. In addition there is some difficulty in discerning to what degree/how quickly non-participating states take on board the changes that are agreed in the Wassenaar Arrangement control lists. Moreover it was suggested if countries were to take steps to join the Wassenaar Arrangement this would *inter alia* serve as an indication of the importance the country attaches to sharing relevant information with other industrialised states.

The challenges to strategic export controls posed by large-scale e-commerce was also mentioned. It was noted that while this trade is legitimate and beneficial to economies, government nevertheless had the right to control tangible and intangible transfers as necessary; targeting controls to ensure effectiveness alongside efficiency was seen as a key challenge.

The development of the new Chinese export control 'Basic Law' was also addressed. It was noted that it will absorb advanced practices from around the world, and that a joint team involving more than ten government departments had been established, led by the Ministry of Commerce (MOFCOM).

Meetings held with CAITEC and Beijing International Studies University

On 13 December the TEWG and Saferworld met with technical experts from the Ministry of Commerce consultants group. Discussions focused on the development and updating of the Wassenaar Arrangement control lists and the technical criteria for including particular widely-available items for control. The ability to distinguish sensitive items from civilian items was seen as a key challenge. The relationship between the Wassenaar Arrangement and the other proliferation technology control regimes – such as the Australia Group, the Nuclear Suppliers Group and the Missile Technology Control Regime – was also explored. It was noted that the Wassenaar Arrangement dual-use list focused on conventional weapons technology, whereas the chemical/biological, nuclear and missile related technologies were covered by the control lists for the aforementioned regimes. However, it was also noted that these lists had been incorporated into the EU dual-use list. The need to develop and further strengthen relationships between Chinese institutions and those elsewhere was also discussed.

On 15 December the members of Saferworld and the TEWG met with representatives of Tsinghua University and Beijing International Studies University (BISU). The meeting began with information sharing between Chinese academics and the TEWG members on areas of study and relevant projects in the field of conventional arms, in particular SALW. Details were shared of a BISU-led project that involved assessing levels of SALW-related casualties in four Middle East/North Africa states, including Egypt, Bahrain, Libya and Syria and the role that the inadequacy of effective laws and regulations played in the widespread proliferation of these weapons. Saferworld outlined the various aspects of their arms programme (focusing on national, regional and international efforts to ensure effective regulation of conventional arms transfers, including the EU Common Position and the Arms Trade Treaty) and the prominent role of research and capacity building in this work. Beyond this, discussions were also held on a range of topics of mutual interest including:

- Saferworld's work on community security in Kyrgyzstan (of particular interest to a Kyrgyz scholar who was in attendance).
- The need for non-military approaches to preventing violent extremism, including poverty reduction and ensuring access to justice and economic opportunities.
- The EU arms embargo on China and how the need for consensus among all 28 Member States made lifting the embargo a difficult, if not unlikely, proposition in the near future.

Outcomes and the way forward

The workshop and subsequent meetings in Beijing during 13-15 December 2016 were very successful in meeting the key goals of information exchange, confidence-building and mutual understanding among Chinese and international experts. They secure a very good level of participation from CAITEC, MOFCOM and industry, as well as from interested members of the Beijing diplomatic and academic community. All participants were fully involved in discussions and engaged in a frank exchange of views and approaches.

Cooperation between CAITEC and Saferworld has increased significantly over the past year. The process of producing a focused and detailed report on diversion of arms and dual-use goods has further cemented this positive relationship and built mutual trust, which was evidenced through the success of the workshop and other meetings. Based on the feedback received, participants were very satisfied with these events and considered them to have improved their knowledge and understanding of the challenges related to the implementation of dual-use export controls and in particular the issues of diversion, ICP, implementation of UN sanctions at national level, and the process and criteria for updating of the Wassenaar control lists. Both Saferworld and CAITEC hope to further and deepen dialogue in future and potential resources are being identified to allow the continuation of this work.

About Saferworld

Saferworld is an independent international organisation working to prevent violent conflict and build safer lives. We work with local people affected by conflict to improve their safety and sense of security, and conduct wider research and analysis. We use this evidence and learning to improve local, national and international policies and practices that can help build lasting peace. Our priority is people – we believe in a world where everyone can lead peaceful, fulfilling lives, free from fear and insecurity.

We are a not-for-profit organisation with programmes in nearly 20 countries and territories across Africa, the Middle East, Asia and Europe.

Saferworld – 28 Charles Square, London N1 6HT, UK
Registered Charity no 1043843
Company limited by guarantee no 3015948
Tel: +44 (0)20 7324 4646 | *Fax:* +44 (0)20 7324 4647
Email: general@saferworld.org.uk
Web: www.saferworld.org.uk

About Chinese Academy of International Trade and Economic Cooperation

Chinese Academy of International Trade and Economic Cooperation (CAITEC) is an interdisciplinary and multifunctional institution of social science research and a consultative body directly under the Ministry of Commerce (MOFCOM) of China, which undertakes research, information consultancy, publishing, education and training. CAITEC conducts research on the world economy and international trade, economic cooperation, regional economies, country-level economies, domestic trade and market development. It also conducts important research relating to export controls. It is one of the national leading think-tanks in China and in recent years has played an essential role in academic research, expert team building, personnel training and international communication.

Chinese Academy of International Trade and Economic Cooperation - No. 28, Dong Hou Xiang, An Ding Men Wai Avenue, Beijing, P.R. China (100710)
Tel: +86-10-64245741 *Fax:* +86-10-64212175
Web: <http://en.caitec.org.cn/>

Annex A. Agenda

Developing controls on international transfers of arms and dual-use goods: understanding key issues and current approaches

09:00-09:15 Opening remarks

- **Zhang Ying**, Director of Trade and Investment Security Institute, Chinese Academy of International Trade and Economic Cooperation (CAITEC)
- **Elizabeth KIRKHAM**, Senior Adviser, Arms Unit, Saferworld

09:15-10:45 International norms and national interests: ensuring mutual reinforcement

Moderator: Zhang Ying, Director of Trade and Investment Security Institute, Chinese Academy of International Trade and Economic Cooperation (CAITEC)

- *The process of updating the Wassenaar Arrangement control lists* – **Se-Hee RYU**, Senior Researcher, Korea Strategic Trade Institute (KOSTI), Republic of Korea
- *The implementation of UN Resolutions in national law* – **Mariann MEZEY**, Senior Counsellor, Hungarian Trade Licensing Office, Authority of Defence Industry and Export Control, Department of Defence Industry and Military Foreign Trade, Hungary

10:45 – 11:15 Tea break

11:15 – 12:15 Industry compliance: preventing proliferation and promoting implementation

Moderator: Elizabeth KIRKHAM, Senior Adviser, Arms Unit, Saferworld

- Ensure the implementation of non-proliferation policies: industry's perspective – Ji Yanzhao, Deputy department director, The China North Industries Corporation
- *Supporting strategic industrial development while preventing proliferation of sensitive goods and technologies* - **Jay NASH**, Research Fellow, Centre for Policy Research (CPR), University of Albany, State University of New York (SUNY)

12:15 – 12:30 Discussion

12:30 – 13:30 Lunch break

13:30 – 14:30 International Efforts to Prevent Diversion of Arms and Dual-Use Goods Transfers (Part 1)

Moderator: Jay NASH, Research Fellow, Centre for Policy Research (CPR), University of Albany, State University of New York (SUNY)

- *Identifying critical diversion risks at the transfer licence application stage: what are the key indicators and how to assess the level of risk involved?* - **Elizabeth KIRKHAM**, Senior Adviser, Arms Unit, Saferworld
- *Promote bilateral and multilateral information sharing* – **CAI Guanliang**, Consultant, Export Control of Chemical Dual-use Items, Ministry of Commerce (MOFCOM)

14:30 – 15:00 Tea break

15:00 – 16:00 International Efforts to Prevent Diversion of Arms and Dual-Use Goods Transfers (Part 2)

Moderator: CHENG Hui, Deputy Director of Trade and Investment Security Institute, Chinese Academy of International Trade and Economic Cooperation (CAITEC), China

- *How can pre-licensing end use/user certification reduce risks of diversion and re-transfer? How can post-shipment controls reduce diversion and re-transfer risks?* – **WU Dongdong**, Senior Engineer, Institute of Computing Technology, Chinese Academy of Science
- *Control the risk of diversion involving brokering and transportation agents during transit* – **SHI Xiaoli**, Professor, China University of Political Science and Law

16:00 – 16:15 Discussion

16:15 – 16:30 Closing remarks

- **CHENG HUI**, Deputy Director of Trade and Investment Security Institute, Chinese Academy of International Trade and Economic Cooperation CAITEC
- **Elizabeth KIRKHAM**, Senior Adviser, Arms Unit, Saferworld

Annex B. Participants List

CAI Guanliang, Consultant, Export Control of Chemical Dual-use Items, China's Ministry of Commerce (MOFCOM), China

CHENG Dewei, Officer Bureau of Industry, Security, Import and Export Control, Ministry of Commerce of the People's Republic of China

CHENG Hui, Deputy Director of Trade and Investment Security Institute, Chinese Academy of International Trade and Economic Cooperation (CAITEC), China

Elizabeth KIRKHAM, Senior Adviser, Small Arms and Transfer Controls, Saferworld

HAN Lu, Research Associate, Trade and Investment Security Institute, Chinese Academy of International Trade and Economic Cooperation (CAITEC)

HAN Shuang, Assistant Researcher, Trade and Investment Security Institute, Chinese Academy of International Trade and Economic Cooperation (CAITEC)

Jay NASH, Research Fellow, Centre for Policy Research (CPR), University of Albany, State University of New York (SUNY), USA

Ji Xuecui, Director, Bureau of Industry, Security, Import and Export Control, Ministry of Commerce of the People's Republic of China

Ji Yanzhao, Deputy Department director, NORINCO

JING Rui, Assistant Researcher, Trade and Investment Security Institute, Chinese Academy of International Trade and Economic Cooperation (CAITEC)

Mariann MEZEY, Senior Counsellor, Hungarian Trade Licensing Office, Authority of Defence Industry and Export Control, Department of Defence Industry and Military Foreign Trade, Hungary

Scott CLEVER, Political Officer at the U.S. Embassy Beijing, China

Se-hee RYU, Senior Researcher, Korea Strategic Trade Institute (KOSTI), Republic of Korea

SHI Xiaoli, Professor, China University of Political Science and Law

Wu Dongdong, Senior Engineer, Institute of Computing Technology, Chinese Academy of Science, China

WU Ning, Assistant Researcher, Trade and Investment Security Institute, Chinese Academy of International Trade and Economic Cooperation (CAITEC)

ZHANG Hui, Project Coordinator, China Programme, Saferworld

ZHANG Ying, Director of Trade and Investment Security Institute, Chinese Academy of International Trade and Economic Cooperation (CAITEC), China

ZHAO Tong, Ph.D., Researcher, Carnegie-Tsinghua Centre for Global Policy