



Illicit Trade in Dual-Use Commodities: Establishing Effective Trade Controls

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International Nonproliferation Export Control Program*

Overview



- **The Threat of Illicit Strategic Commodity Transfers**
- **What are “Strategic Commodities”?**
- **Who Can Prevent Illicit Transfers?**
- **Detecting, Deterring and Interdicting Illicit Shipments**

Nuclear Weapons in Perspective



*Paul W. Tibbets
Lt. USAF
Pilot, The Enola Gay*

Oklahoma City – 4/19/95 New York City – 9/11/01

- Deadliest terrorist attacks on US soil
- Oklahoma = 0.00015 kilotons (kt)
- NYC = 0.00009-0.00015kt
- Less than 1/100,000th of first nuclear explosion (22.5 kt; Trinity Test)

Nuclear weapons are incredibly destructive and warrant special control measures, even relative to other WMD

Interdicting strategic procurement is key to nonproliferation



- Proliferation history demonstrates that countries developing WMD programs build national production facilities
- Such facilities rely extensively on imported equipment, materials, and technology
- Networks brokers and front companies systematically maneuver to defeat national export control efforts
 - All states are at risk of harboring brokers and front companies supplying weapons programs with crucial commodities

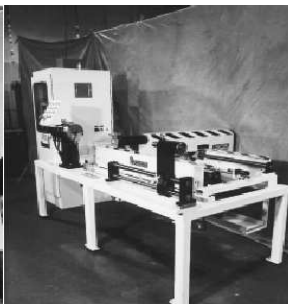
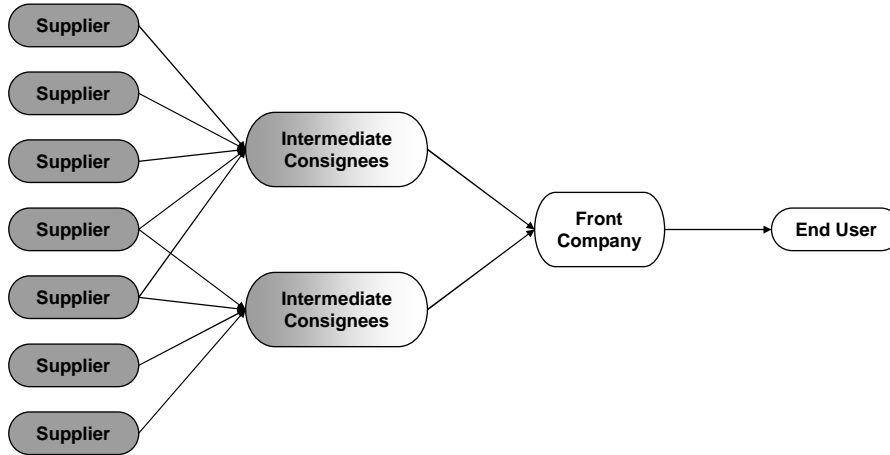


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Traditional Illicit Procurement Scheme

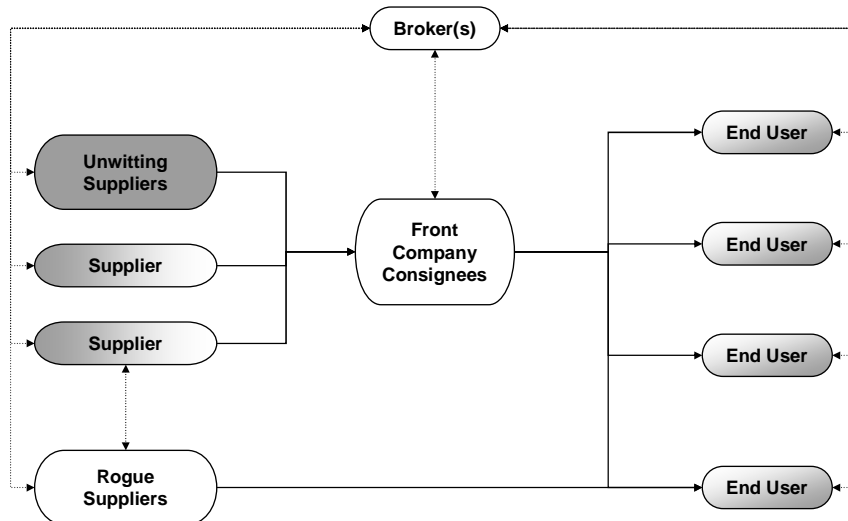
Driven by an ultimate end user developing a procurement infrastructure to defeat export control efforts



multiple layers of deception...from false statements of end use (often involving claims of "peaceful purposes") to front companies, import/export companies, distributors, and other intermediaries

Secondary Supplier Network

Brokers coordinate multiple suppliers and seek buyers



What's new about secondary supplier networks?



	Traditional Illicit Procurement	Secondary Supplier Networks
Suppliers	<ul style="list-style-type: none"> • Many uncoordinated and unwitting suppliers • Traditional technology holders supply technology, related commodities, or both 	<ul style="list-style-type: none"> • Fewer, coordinated and potentially complicit suppliers • Disaggregation of technology and commodity transfers • Rogue companies or agents operating within traditional supplier states as well as non-traditional suppliers within state parties to various regimes.
Intermediaries	<ul style="list-style-type: none"> • Mix of front companies working as buyers agents and unwitting purchasing consignees 	<ul style="list-style-type: none"> • Broker drives the process, coordinating the network of suppliers and middlemen to offer several countries complete packages of technology, equipment, and assistance
End Users	<ul style="list-style-type: none"> • Individual state-sponsored programs • End user drives the process. 	<ul style="list-style-type: none"> • Multiple countries buying the services of the broker/network
Nonproliferation Focus	<ul style="list-style-type: none"> • Effective export control implementation among nuclear suppliers and technology holders 	<ul style="list-style-type: none"> • Export, brokering, and transit controls, not just among traditional suppliers, but universally.

What are "strategic commodities"? Examples...



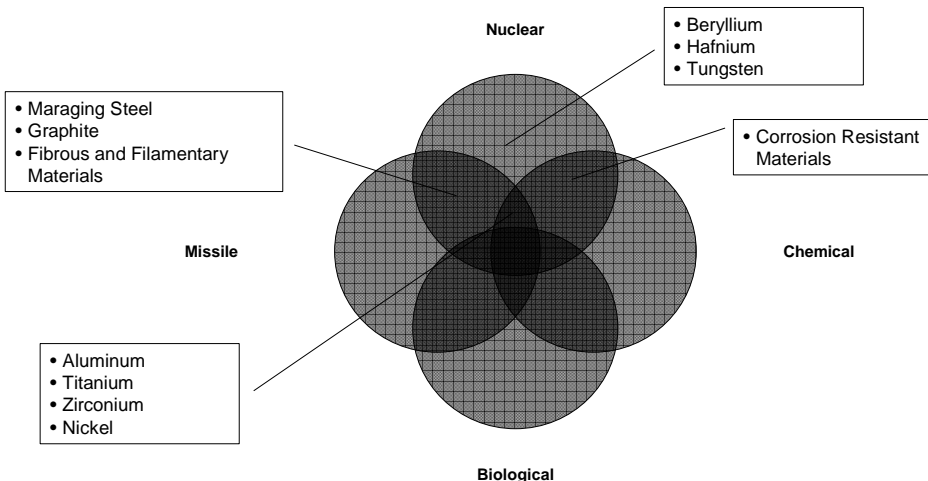
Implementing trade controls on strategic goods can be difficult



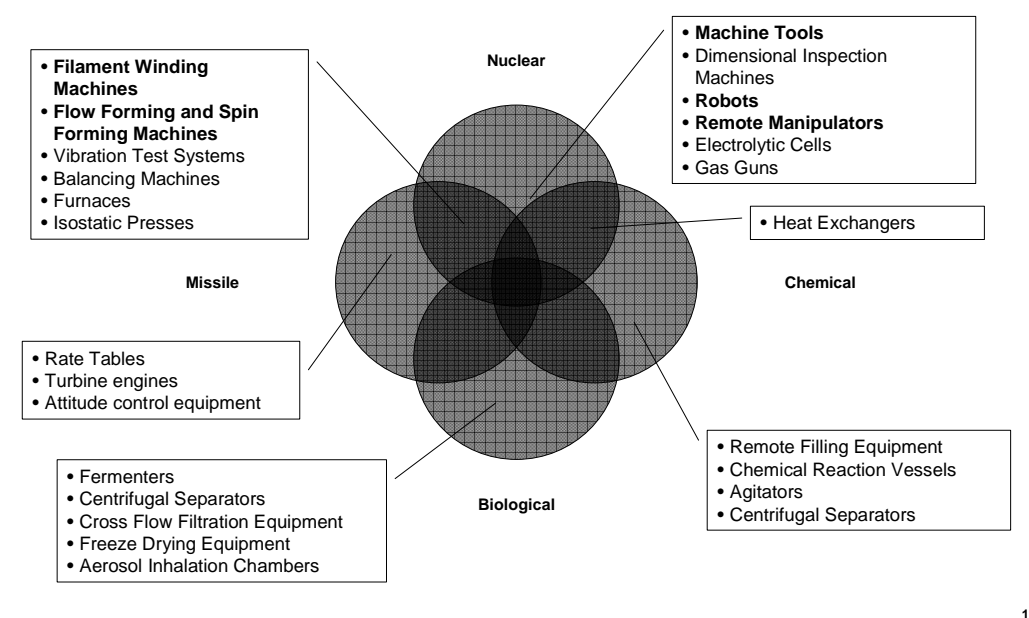
- The control lists of the multilateral export control arrangements cover a wide range of dual-use materials, components, and equipment used in WMD programs
 - It is common for manufacturers and suppliers of dual-use equipment to not realize how these items might contribute to WMD programs, or how procurement agents might target their companies for exploitation
 - Similarly, export control enforcement personnel, such as Customs Agents, are generally unfamiliar with these commodities
 - Dual-use goods present an inherent challenge, as most shipments are legitimate, controlled goods often look quite ordinary (especially to an untrained eye)
- **Nuclear Suppliers Group**
 - Trigger List
 - Dual Use List
 - **Australia Group**
 - Chemical Weapons Precursors
 - Dual Use Chemical Manufacturing Facilities and Equipment
 - Biological Agents
 - Plant Pathogens
 - Animal Pathogens
 - Dual Use Biological Equipment
 - **Missile Technology Control Regime**
 - Category I
 - Category II

Effective export control enforcement depends upon familiarity with these items...

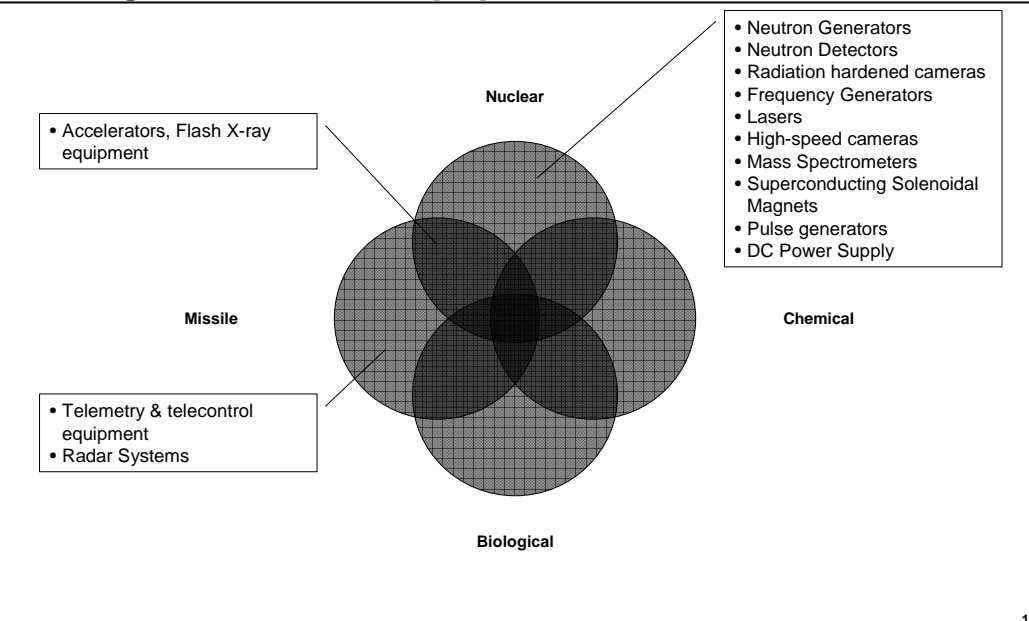
Strategic Materials



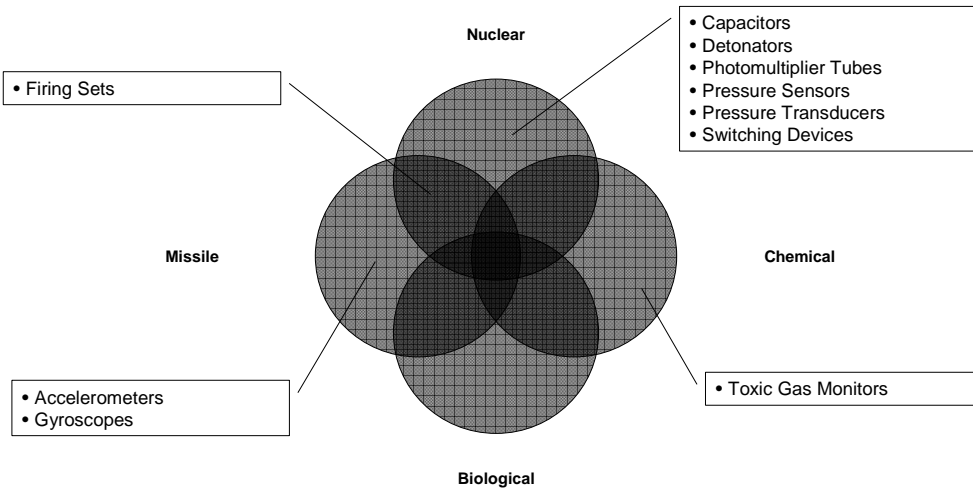
Strategic Industrial Equipment



Strategic Electronic Equipment

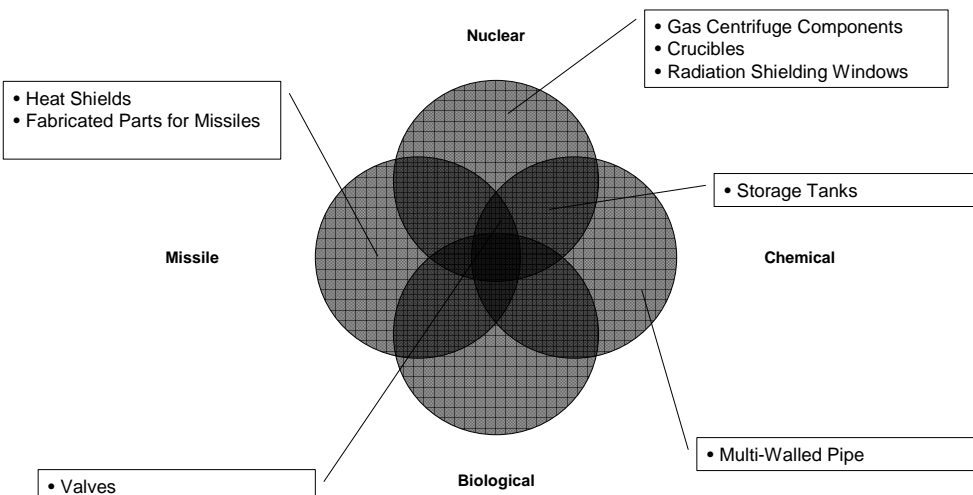


Strategic Electronic Components



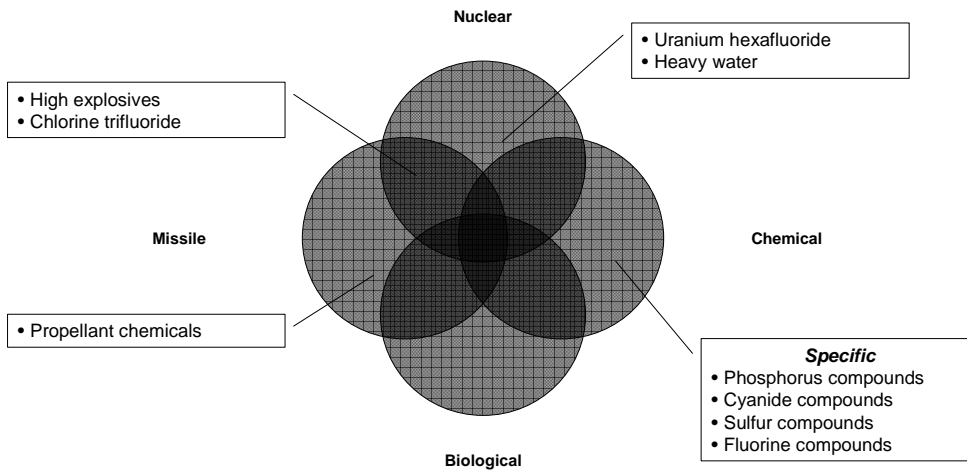
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Strategic Fabricated Components



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Strategic Chemicals



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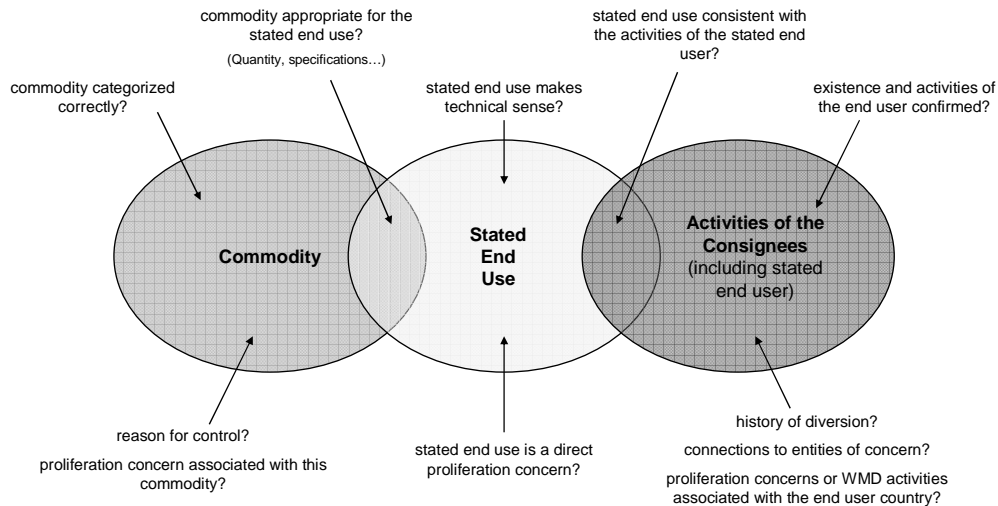
Who can prevent illicit transfers?



1. Enterprises (including freight forwarders)
 - Enterprises and the individuals within them are on the front lines, dealing directly with illicit procurement attempts
 - Their awareness, vigilance, and export control compliance is critical
 - “Know your customer” guidance and red flags to look for
 - *Goal: know when a sale looks questionable and when an export may require a license*
2. Export License Analysts
 - Evaluate the reasonableness of the export and the potential proliferation risks
 - End use/end user analysis
 - *Goal: know when an export should be approved or denied*
3. Customs Agents
 - Verify correctness of shipper's declarations
 - Targeting and commodity identification
 - *Goal: know when a shipment involves illicit trafficking in controlled commodities*

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Assessing proliferation/diversion risk



Is there a pattern to the proliferation concerns?

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Detecting, deterring, and interdicting illicit shipments and diversions



Targeting

Commodity Identification and "Reachback"

Targeting

- **Should this shipment be targeted for inspection?**
 - Is it a random selection?
 - Is there an intelligence-related tip?
 - *Adverse information related to any of the parties to the transaction*
 - Are there red flags or risk indicators?
 - *New exporter or freight forwarder; atypical export*
 - *Non-existent consignees or end users; P.O. Boxes*
 - *Unusual packing or transport; prepaid shipments; inconsistent amount of insurance paid*
 - *Unusual destination or routing; multiple transshipment countries; "Hold for pick-up", "Rush" or "Notify immediately" instructions*
 - *Vague or inconsistent commodity descriptions; inconsistent or unusual value, quantity, or weight of goods; spelling errors on declarations*

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Detecting, deterring, and interdicting illicit shipments and diversions



- Targeting
- Commodity Identification and "Reachback"

Commodity Identification

- Does this shipment require a license?
 - What is it?
 - Most of these commodities are unfamiliar to inspectors
 - Commodity Identification Training can help by giving inspectors a "trained eye"
 - Is the declaration correct?
 - Shipping controlled good without a license
 - Inappropriate use of export license (substitution of goods, export to non-approved parties, ...)
 - Is it controlled?
 - The controls are technically complex, confusing, and occasionally overlapping
 - Inspectors need access to technical support to definitively identify items

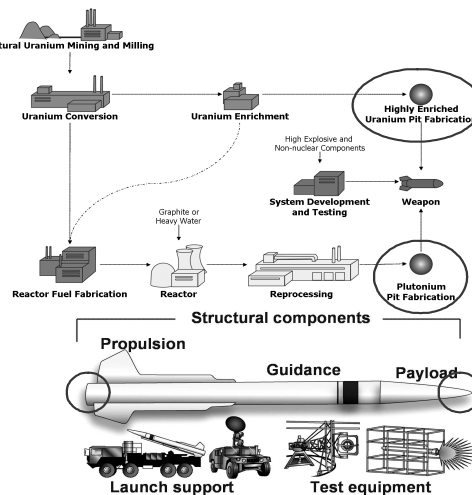
EXAMPLE FROM CIT



Isostatic Presses



- **Definition**
 - Equipment capable of pressurizing a closed cavity to create equal pressure in all directions upon a workpiece or material
- **Nuclear uses:**
 - Producing nuclear explosive device parts
- **Missile uses:**
 - Nozzle inserts and reentry vehicle nose tips
- **Other uses:**
 - Forming metallic and ceramic powders into billets
 - Manufacturing ceramics, plastic products, hard-metal dies and tool bits, turbine blades and vanes, insulators for automotive spark plugs and high-voltage electric power lines, crucibles, shaped explosives, bearings, and sanitary porcelain products



EXAMPLE FROM CIT

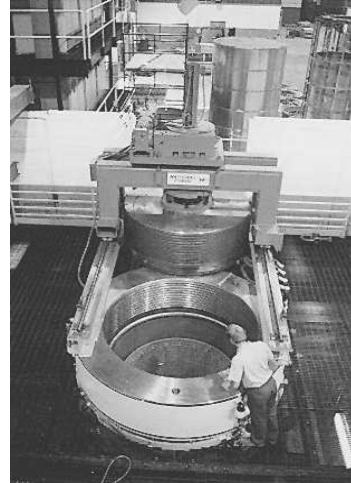
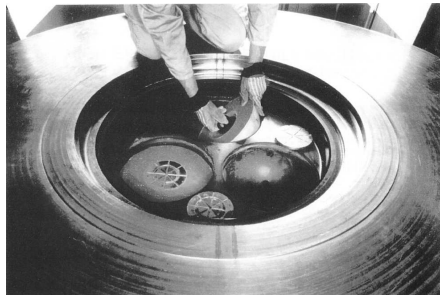


Isostatic Presses: Appearance

NISA

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- **Notable features:**
 - Most notable feature of a typical isostatic press is the thick-walled pressure chamber cylinder, closed on one end and having a removable plug on the other end



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EXAMPLE FROM CIT

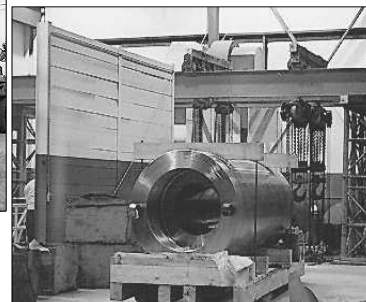


Isostatic Presses: Packaging

NISA

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- **Larger chambers are very heavy (thousands of kilograms) because of the thick walls and may be packaged in a cylindrical wooden crate with steel banding**



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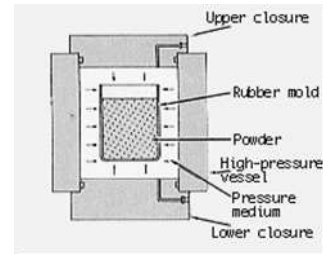
EXAMPLE FROM CIT



Isostatic Presses

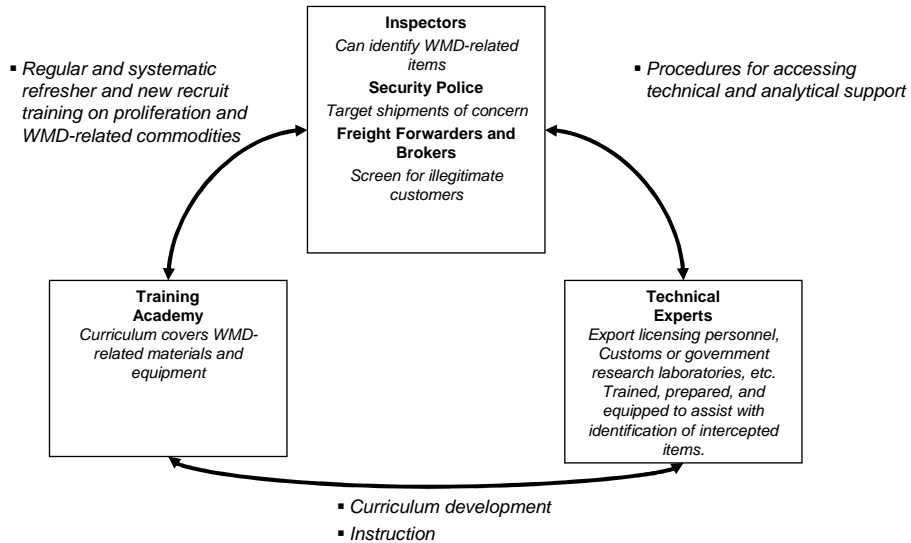


- **Controls:**
 - HTS: 8462.99, 8463.90, 8477.40, 8477.80
 - NSG: 1.B.5
 - Pressure ≥ 69 MPa; and
 - Inside chamber diameter > 152 mm
 - MTCR: 6.B.3
 - Pressure ≥ 69 MPa;
 - Inside chamber diameter > 254 mm; and
 - Temperature ≥ 600 °C
 - EU: 2B004, 2B104, 2B204



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Important to establish an ongoing training program and the expertise to support enforcement



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Technical Reachback for Front-line Inspectors



- With dual-use goods in particular, technical reachback for front-line inspectors is essential.
 - Control lists are technically complex and not organized to facilitate identification of unknown commodities
 - While CIT highlights the key parameters that distinguish between controlled and uncontrolled items, some specifications cannot be determined in the field
 - Many shipments of controlled goods will prove to be legitimate, licensed transactions



Technical reachback has played a pivotal role in dual-use interdiction cases

International Nonproliferation Export Control Program



MISSION

Strengthen global efforts to prevent proliferation of WMD-related materials, equipment, and technology



AREAS OF ENGAGEMENT

Proliferation Risk Analysis in the Licensing Process

- Ensure the license review process competently assesses proliferation risks associated with end-uses and end-users, and ensure technical specialists are being utilized

Government Outreach and Enterprise Compliance

- Assist governments to establish outreach programs and promote enterprise compliance at key enterprises and technology holders

WMD-related Commodity Identification Training and reach-back for Customs

- Ensure enforcement personnel are sensitized to WMD-related materials and equipment, and have access to technical/analytical resources and support