

**SEVENTH CENTRAL ASIA AND CAUCASUS REGIONAL FORUM ON
NONPROLIFERATION, EXPORT CONTROLS, AND BORDER SECURITY**

INTRODUCTION

1. The Seventh Central Asia and Caucasus Regional Forum on Nonproliferation, Export Controls, and Border Security was held in Almaty, Kazakhstan June 2-4, 2003. Co-hosted by the governments of Kazakhstan and the United States, the Forum was attended by delegations from Armenia, Azerbaijan, Georgia, Kyrgyzstan, Tajikistan, and Uzbekistan. (Although invited, Turkmenistan did not attend.) Observers included Moldova, Russia, Turkey, and Ukraine. Representatives of the International Atomic Energy Agency, the European Commission, the Missile Technical Control Regime, the World Customs Organization, and the United Kingdom also delivered presentations. In addition, several non-governmental organizations participated, including the Center for International Trade and Security (CITS), the Monterey Institute Center for Nonproliferation Studies (CNS), and the Wisconsin Project as well as the conference organizer, Los Alamos Technical Associates (LATA). In all, about 140 persons attended, including a U.S. delegation with representatives of the Departments of Commerce, Defense, Energy, Homeland Security, and State. The Forum was funded by the Department of State's Export Control and Related Border Security Assistance (EXBS) program. Conference documentation will be available on www.exportcontrol.org.

Central Themes

2. Forum participants demonstrated the clear and expanding commitment of their governments to strengthening export controls and border security. In reviewing national programs, most delegations outlined steady progress with export control legislation and implementation. Of

note was Kyrgyzstan's announcement that it was close to finalizing regulations to implement its March 2003 export control law and Uzbekistan's statement that it had submitted draft export control legislation to parliament. A discussion of new threats centered on the danger posed by radiological sources. Virtually all regional speakers agreed on the threat posed by sub-state actors and the dangerous nexus between religious extremism, international terrorism and weapons of mass destruction (WMD). This Forum saw an increasing role for border guards, who participated in their own breakout group and who are increasingly supportive of export control efforts. A number of delegates also cited the draft Regional Transit Agreement as a positive development in regional cooperation, although the final approval process is not complete. In short, despite the work remaining, the Forum represented a step forward in the evolution towards a more effective regional effort to counter the smuggling of weapons of mass destruction.

THREAT ASSESSMENTS

Kazakhstan Stresses Radiological Security

3. Berdybek Mashbekovich Saparbayev, Chairman of the Customs Control Agency, delivered the keynote address for the Government of Kazakhstan (GOK), re-stating its strong commitment to nonproliferation and effective export controls. He noted that the Customs Service is devoting major attention to control of radiological sources at Kazakhstan's more than 150 border posts. Customs is doing everything possible to prevent WMD proliferation and to ensure radiological security, Saparbayev stressed.

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4. Offering a broad overview of the GOK's nonproliferation policies, Amaniyaz Kasymovich Yerzhanov, First Deputy Chairman of the Customs Control Agency, reminded the Forum that Kazakhstan's export control legislation was the first in the region when it was passed in 1996. He then reviewed efforts to strengthen the GOK's export controls, noting this is one of the most important policy issues for the government. Yerzhanov described Kazakhstan's four-level national export control system, with the President at the top and all relevant government ministries involved. Noting that conflict in the region has led to stockpiling of weapons, Yerzhanov expressed Kazakhstan's interest in creating a "zone of good neighbors." He also emphasized that the GOK is giving high priority to countering the threat of the smuggling of radiological materials. In concluding, Yerzhanov stressed the importance of strengthening customs and border guards as the first line of defense. This can be done through the efforts of governments, NGOs and international organizations such as the WCO, Interpol, and other law enforcement agencies involved in nuclear security. Close international cooperation, including the application of sanctions, will improve world security, he concluded.

5. Aidar Kalymtayevich Kazybayev of Kazakhstan's Ministry of Industry and Trade emphasized that the GOK have a very strict export control system. He noted that Kazakhstan is now in the process of joining the Missile Technology Control Regime (MTCR) and is also considering membership in the Australia Group (AG). Looking at the region as a whole, there are a number of things that must be done, he said, such as building legal frameworks in the countries of the former Soviet Union where none existed before. Bilateral and multilateral information systems in the

region must be developed, he stated, and stronger efforts made to prevent the transit of dangerous goods.

6. Major General Tursyn Ushbayevich Uazhanov of the Border Guards Service called attention to the challenge of controlling Kazakhstan's long border, with its growing number of control points. The Border Guards' responsibility for export control is made especially difficult by the extent of Kazakhstan's trade relations. The focus of the Border Guards is now on radiological sources, Uazhanov explained, and the expanding exports of metal from test sites that have a high level of background radiation is a concern. Uazhanov warned that various groups were interested in radiological materials in Kazakhstan but said more equipment is needed at the border to prevent smuggling of these materials as well as smuggling of narcotics, people and weapons. Since this cannot be done by one country alone, international cooperation is essential.

7. Timur Miftakhuli Zhantikin, Chairman of the Atomic Energy Committee of Kazakhstan's Ministry of Energy and Mineral Resources, reviewed his committee's efforts since independence to establish a comprehensive state system to control nuclear and fissile materials. There are now several levels of control of nuclear materials. Export controls are an important component of this system, which also includes international cooperation such as membership in the IAEA. In addition, the GOK joined the Nuclear Suppliers Group (NSG) last year. Since September 11, the main issue for the GOK has been the control of nuclear materials that could be used in a dirty bomb. "We are now dealing with this," Zhantikin assured the Forum.

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**U.S. Keynote: Global Threat Worsening
– Focus on Iran and North Korea**

8. U.S. Ambassador to Kazakhstan Larry Napper read a message from Secretary of State Colin L. Powell congratulating Kazakhstan for hosting the Forum and calling attention to President Bush's description of weapons of mass destruction and terrorism as the two greatest threats to global security. Kazakhstan is a strong partner in the war on WMD, Powell stated, and the U.S. looks forward to strengthening its partnerships in the region in the months and years ahead.

9. Ambassador Napper then read the keynote address on behalf of Assistant Secretary John Wolf, who on the eve of the Forum had been asked to remain in Washington by Secretary Powell. Wolf stated that the threat posed by WMD is real and getting worse. Rogue regimes whose governments are hostile to the U.S. are actively seeking WMD, a threat compounded by their support for international terrorist groups. Globalization is causing additional problems as countries that previously received sensitive equipment and technology are becoming sellers. Iran is a major concern to the delegates at this Forum, Wolf emphasized, because of its own programs as well as the risk of onward proliferation. Iran's efforts to obtain sensitive materials only make sense as part of a program to produce fissile material for weapons. In addressing the challenges of Iran and North Korea, the international community must face its responsibility to take real action, not to simply hope things will get better. North Korea must not imagine that it can blackmail the international community, Wolf stated. The international community must take concrete action to make proliferation more costly, both politically and financially.

10. Wolf outlined the tools used by the U.S. to counter proliferation, including export controls, trade sanctions, and interdiction, but stressed that international cooperation is vital. Kazakhstan, with its sustained commitment to nonproliferation for the past ten years, is an excellent example of international and regional cooperation and has pointed the way for others in the region to build an effective export control and enforcement system. Wolf urged the governments represented at the Forum to adhere to the draft text of the Regional Transit Agreement (RTA), which has been provisionally agreed upon by six governments. The countries at this Forum are generally not suppliers but occupy some of the most strategic transshipment territory in the world, Wolf stated. While laws are essential, they must be accompanied by effective enforcement. Working with industry is vital, as are effective border guards and customs officials. The State Department's Export Control and Related Border Security Assistance (EXBS) program has provided resources and training to border guards and customs officials in Central Asia and the Caucasus, totaling over \$66 million since 2001. In closing, Wolf emphasized that dialogue is important but is no substitute for action, whether bilateral, multilateral, or unilateral.

The Global Threat – A U.S. Assessment

11. The Department of State's Richard Crandell presented an overview of the global WMD proliferation threat, stressing the special difficulties for border control officials because so much WMD material is dual-use. Crandell provided examples of dual-use materials that might be used to produce chemical, biological, and nuclear weapons as well as delivery systems. He closed his presentation with two case studies. In 2002, an Iranian entity using a

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front company attempted to obtain parts for nuclear weapons fuses from Germany, going through intermediaries in Hong Kong and Singapore. The second case involved a recent North Korean attempt to obtain aluminum tubes from Germany that could be used for uranium enrichment. In both cases, the material was stopped before it could reach its ultimate destination.

RESPONDING TO THE DANGER OF NUCLEAR AND RADIOLOGICAL SOURCES

Nuclear Weapons and Radiological Sources

12. Leonard Spector, Deputy Director of the Center for Nonproliferation Studies of the Monterey Institute, pointed to the extraordinary events that have taken place since the April, 2002 Central Asia and Caucasus Regional Forum in Tashkent. The war to eliminate the threat of WMDs in Iraq is an important turning point, Spector stated, but both Iran and North Korea are making nuclear advances. Export controls will be crucial in stopping the growing nuclear threat from both countries.

13. In addition to the problem of nuclear weapon proliferation, there is the risk of nuclear terrorism through the use of radiological material, for example in a dirty bomb. Since only a small amount of radiological material is potentially dangerous, the problem is manageable by concentrating on the high-risk sources, most of which are regulated. One problem is orphaned and disused radiological sources, such as the Soviet nuclear batteries. The IAEA is addressing this problem. Again, export controls are important in controlling radiological sources, Spector noted, and the industry is highly concentrated. Eight countries

produce most of the material and five major international firms produce and distribute the material around the world. Good export controls can ensure this material is going to the right end-users. There are, however, gaps in the system, Spector warned. Key countries allow export of radiological materials under a general license without an end-user check. The U.S. system is weak and needs urgent attention, he said. The code of conduct currently under discussion by the IAEA would urge all countries to regulate this area more closely. Export controls are a major constraint to nuclear proliferation, Spector concluded, but they should be augmented by new controls on radiological sources.

IAEA – The Nuclear Security Plan of Action

14. William Meehan of the International Atomic Energy Agency's Office of Nuclear Security told the Forum that since September 11 the IAEA has enhanced its efforts to include planning to prevent nuclear terrorism. IAEA's earlier focus on nuclear power plants has been expanded to include law enforcement and border control, with active outreach to other international organizations, customs and law enforcement.

15. Approved in March 2002, IAEA's Nuclear Security Plan of Action consists of eight activity areas. Meehan focused on the elements of the plan that are most important to border control. These include:

- detection and interdiction of illicit trafficking in nuclear and other radioactive materials.
- improving national security measures to bring radioactive materials such as orphan sources under control.

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- ensuring member states are able to respond effectively to acts of nuclear terrorism or illicit trafficking.
- coordination of internal and external activities through information exchange.

Meehan outlined some of the specific areas where the IAEA can assist border management agencies such as police and security services. There is a wide range of training available, including executive level awareness seminars, evaluation of border monitoring capabilities, front-line officer training, hand-held isotope identification instrument training, and nuclear forensics training. IAEA also has a Coordinated Research Project to encourage development of more effective, user-friendly instruments for border security services. It plans to conduct train-the-trainer regional courses in 2004 and has a CD-ROM based curriculum for member states as well as technical documents and a handbook for law enforcement agencies.

Nuclear Security in Uzbekistan

16. Vitaliy Petrenko, lead researcher at Uzbekistan's Institute of Nuclear Physics, summarized efforts to prevent smuggling of nuclear materials across Uzbekistan's borders. Material coming out of Afghanistan, Iran and Turkmenistan are of concern, with effective controls especially important on Uzbekistan's long border with Turkmenistan. Petrenko added that uranium can also be produced in Tajikistan and Kyrgyzstan. Uzbekistan's border guards are equipped with radiation pagers, although they are not one hundred percent effective. The U.S. has, therefore, provided additional equipment, such as radiation monitors, for border checkpoints. Radiation monitors are also being installed to check passengers at airports. The IAEA assists with training border guards to

operate the monitors.

17. Security at the Institute of Nuclear Physics itself is tight, with alarms and monitors in place. The U.S. has helped with the physical protection of the Institute's research reactor, Petrenko said. Radioactive waste storage areas are well protected, and the IAEA controls and accounts for all nuclear material. Uzbekistan still produces and exports radiological material to the U.S.

17. Since the breakup of the USSR, Petrenko explained, Uzbekistan has had a problem relating to sources of radiation that still exist. Of the 12,000 sources that existed in 1991, 238 or 239 still remain, probably in the mountains. The life of the sources is up to ten years, which has now passed.

U.S. Department of Energy's Approach

18. Using the example of a filament winding machine, Chris Walker of DOE's National Nuclear Security Administration discussed the importance of technical specialists for effective nuclear export control. The filament winding machine is dual-use; it is used in the manufacture of ski poles and golf clubs, for instance, but also is key to producing the gas centrifuges used in uranium enrichment. Technical expertise is important in each of the three elements of an effective export control system -- the licensing process, industry compliance, and enforcement. As the agency responsible for dual-use export licensing, the Department of Commerce forwards applications for nuclear-related exports to DOE, where they are reviewed by technical experts. Cadres of technical experts also are available to educate and assist commercial nuclear suppliers to comply with export control requirements and implement effective internal controls. With regard to enforcement, DOE can

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provide the technical training necessary for customs inspectors and border guards to help them identify nuclear-related materials and equipment.

Second Line of Defense (SLD)

19. Eric Deschler, SLD program specialist with DOE, reviewed the program, which was expanded after September 11 and seeks to detect and deter trafficking in illicit nuclear materials. SLD now installs radiation detection equipment and provides training in many countries around the world. Deschler listed seven steps that are taken in the SLD process: identifying sites (locating smuggling routes, areas with nuclear materials, etc.); selecting sites by priority; surveying the sites; assessing the vulnerabilities of the sites; designing the installation at the site; installing and integrating the equipment; and testing the sensors, video systems, central alarm system computers and communications. Deschler emphasized that because sustainability is the most important part of the program, training is essential so that the sites can be maintained. In April 2002, SLD and Kazakhstan's Customs Control Agency agreed to be partners in implementing the program, and they performed site surveys last year on Kazakhstan's borders.

**EXPANDING REGIONAL
COOPERATION**

**Kazakhstan – Regional Cooperation
Essential**

20. Arman Abilmazhitovich Baisuanov, Head of the International Security Department of the GOK's Ministry of Foreign Affairs, emphasized that the threat of WMD proliferation is global and can only be addressed by international cooperation. To prevent international terrorist groups from obtaining BW, CW and nuclear

materials, all nations must have effective export control criteria and observe their international responsibilities. The countries of Central Asia have problems with customs and border control and face destabilizing forces from those who want to exploit religious and ethnic differences. It is important to improve regional cooperation, especially joint law enforcement and the sharing of information. The countries of the region should bring export control legislation in line with international standards and strengthen cooperation between Customs and Border Guards.

21. There are signs of progress in the region, Baisuanov noted, including multilateral agreements and an effort to harmonize export control systems. For its part, Kazakhstan is committed to the whole international network of nonproliferation regimes. The GOK decided in 2002 to join the Missile Technology Control Regime (MTCR), an important decision in light of the country's involvement with space programs. Kazakhstan will also join the CBW and actively supports a nuclear free zone in Central Asia, Baisuanov said.

The EU's Border Security Initiative

22. Bernhard Bogensperger of the European Commission's Directorate - General of External Relations presented an overview of the EU's Central Asia Border Security Initiative, a new program to promote stability and regional cooperation. Funded under the EU's TACIS program, the Central Asia Border Security Initiative is planning a training network for border guards, modeled after the Central European Police Academy. First seminars will be held in the summer of 2003. The Initiative will also promote intelligence and information exchange with data bases linked to border posts, will provide infrastructure and equipment for border

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posts, and will promote the social integration of border posts into their surroundings. One of the program's important goals is to transform border troops into a modern law enforcement agency. Using an integrated border management approach to cover cross-border movement of goods and people, the EU Initiative will seek to counter drug trafficking and cross-border organized crime. A pilot project is planned for the Kyrgyzstan/Tajikistan border.

Bogensperger concluded that the EU and the Commission want to work closely with the region towards the common goal of combating crime and terrorism.

The Regional Transit Agreement

23. Mi-yong Kim, Office of the Chief Counsel for Industry and Security in the U.S. Department of Commerce, reviewed the legal basis of regional export control cooperation, stating that the international standard required national export control systems to control the export of items covered by the multilateral regimes (the Nuclear Suppliers Group, the Australia Group, the Missile Technology Control Regime, and the Wassenaar Arrangement). In addition, the international standard requires catch-all provisions that are end-user based and provide control over items that could contribute to a WMD program but are not on formal lists. A national legal authority must control the export, re-export, and transit of goods, technology and activities and can be achieved through other mechanisms besides laws, such as presidential decrees, resolutions, and regulations.

24. Kim went on to discuss the draft Regional Transit Agreement (RTA) that commits all countries to a common standard of export control laws, and consolidated control lists while providing for the sharing of information on transit of

goods subject to control. She stressed that the agreement would result in an increased level of confidence among international trading partners, strengthened security, and a harmonized export control system that should enhance, not hinder, international trade. The original idea for the RTA came from this Forum's 1999 meeting in Tbilisi, Kim noted, and the U.S. had agreed to help. Four drafting sessions have been held, with a number of countries now having signed the protocol. There should be a clean-up technical session to work out the grammar in English and Russian. However, the negotiations are finished and there should soon be a signing, Kim stated. The next step will be implementation, which will take a long time and be expensive. Two years ago the State Department promised to set aside funding for a secure information network to support the RTA. If the RTA does not keep moving forward towards signature, the funds will have to be re-committed to other purposes.

The MTCR

25. Mariusz Handzlik, Chairman of the Missile Technology Control Regime, provided a broad overview of the MTCR, noting it uses measures to counter missile proliferation on both the supply side through monitoring technology and the demand side through measures such as the International Code of Conduct (ICOC). The regime rests on voluntary adherence by its members and national implementation of its guidelines. Handzlik noted that the MTCR is now focusing more on the end-user and the importance of post-shipment verification, in recognition that this is increasingly important to guarantee that a transaction is legitimate.

26. Kazakhstan is currently in the process of becoming a member of the MTCR, Handzlik said, and is already adhering to

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the regime's guidelines. He emphasized that it is not necessary to join the regime to adhere to its guidelines.

The World Customs Organization

27. Rainer Mellwig, Deputy Director of the World Customs Organization (WCO), spoke to the Forum about his organization's evolution since its establishment in 1952. With the dramatic increase in international trade and with business looking for faster services, it is no longer possible for customs services to set the goal for examining cargo at 100 percent. Customs officials must now perform risk assessment and risk management, a process that is led by accurate intelligence. Also, the earlier focus of customs services on imports has changed to include exports. Mellwig described the new U.S. security measures, such as the Container Security Initiative (CSI) and the 24-hour rule, that assist with risk assessment. These security features will help legal trade, not hinder it, Mellwig emphasized. In conclusion, Mellwig stated, the key to effective customs operations that protect society is accurate and timely intelligence.

REGIONAL STATUS REPORTS

Armenia

28. The Armenian delegation stated that full international cooperation is essential to combat terrorism and proliferation. The cornerstone of Armenia's national security strategy is strict adherence to international nonproliferation regimes, even though it is not a formal member of the regimes. The prime minister has sent Parliament a draft law on export control that should be passed by the end of the year, following the September elections. The draft covers dual-use items as well as transit. Although controls are not now up to international

standards, once the new law is adopted, every effort will be made to implement it effectively.

Azerbaijan

29. Noting that the issues of the Forum are of paramount importance to Azerbaijan after the terrorist attacks of September 11, the Azerbaijan delegation warned of the danger of terrorists obtaining nuclear devices. Although Azerbaijan does not have nuclear weapons or nuclear power stations, it borders countries with nuclear materials and is a transit country. Azerbaijan has become a party to many international treaties since its independence in 1991 and is also doing its best to implement export controls through a presidential decree. There is currently a draft law on export control before Parliament that is based on the EU control list and covers nuclear materials as well as dual-use items. Azerbaijan also has adopted a law on radiation. The transit of nuclear materials is of special concern and border guards and medical units are being trained to ensure the safe import and export of nuclear materials. The delegate added that controls are not in effect on the borders of disputed territory.

Georgia

30. The delegation from Georgia outlined the steps it has taken since the 1990s to join international treaties, establish export controls and tighten control of transit. In 2002, a licensing law was adopted that is administered by the Ministry of Justice. Georgia has also reached agreement with the EU on import/export, transit and information exchange. In October 2001, a customs cooperation agreement for the CIS countries was worked out in Kiev. One of the challenges is keeping control lists updated to include the rapid advances in technology.

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Kyrgyzstan

31. The government of Kyrgyzstan is committed to a strong nonproliferation policy, the delegation stated. It is a member of international treaties and will shortly adopt a draft charter on IAEA membership. Kyrgyzstan also supports a Nuclear Weapons Free Zone in Central Asia. An export control law was passed earlier this year and a working group is finalizing implementing regulations. Although the legislation does not include sanctions, Parliament is considering amending the criminal code to cover export control violations. One of the most important components of Kyrgyzstan's policy is strengthening physical protections on its borders and the EXBS program is very important in this regard. The delegation said it was proud to note that in 1999-2000, Kyrgyzstan demonstrated its reliability as a buffer when it stopped international terrorists who tried to cross its borders.

Tajikistan

32. The delegation of Tajikistan agreed that threats to the region's security and the danger of WMD proliferation remain serious problems. It is therefore important to have export controls that comply with international standards. A 1997 law sets controls for munitions and military materials as well as dual-use items. Currently the law is being implemented under resolutions but does not provide a complete mechanism for control. Regulations that meet international standards are still needed. The cornerstone is a harmonized list of controlled strategic commodities and the government is currently considering a draft control list. Because of the geopolitical situation, Tajikistan must pay special attention to import and transit of controlled commodities. Narcotics control is currently taking a lot of resources as international

criminal organizations try to use Tajikistan's border areas for smuggling.

Uzbekistan

33. The Uzbek delegation remarked on the necessary balance between efforts to eliminate barriers in international trade and the importance of controlling trade in dual-use goods. Trade must be considered in the light of international security. In Uzbekistan legislation is under development, starting with control of military goods and hazardous waste. Uzbekistan is also developing a draft law on export control and is committed to the principles of nonproliferation of WMD.

NGOs OUTLINE PROGRAMS

The Center for Nonproliferation Studies

34. In brief presentations, representatives of the Center for Nonproliferation Studies (CNS) of the Monterey Institute, the Wisconsin Project for Nuclear Arms Control, and the Center for International Trade and Security (CITS) of the University of Georgia reviewed their activities and the resources that interested government agencies might be able to tap. CNS's Sonia Ben Ouagrham provided sample copies of one of the Center's publications, the *NIS Export Control Observer*, and noted CNS's training programs and its database on nonproliferation topics. CNS also maintains an office in Almaty, she said.

The Wisconsin Project

35. Gary Milhollin, Executive Director of the Wisconsin Project, drew attention to the Project's database that assembles information from public sources on thousands of companies linked to WMD programs and provides lists of controlled items, along with pictures. The Project is working with the U.S. Department of

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Defense to assist the Government of Kazakhstan's export control program.

The Center for International Trade and Security

36. Cassady Craft, a Senior Research Associate with CITS, emphasized his center's in-depth analysis, its numerous publications and monographs, the quarterly *Monitor*, and its country evaluations of export control regimes. Craft also said that CTS provides training for export control officials.

BUILDING EFFECTIVE NATIONAL EXPORT CONTROL SYSTEMS

U.S. Assistance - The EXBS Program

37. John Schlosser, Director of Export Control Cooperation in the U.S. Department of State, described the Export Control and Related Border Security Assistance (EXBS) program. Funded through the State Department, the program is implemented with the expertise of Customs and the Coast Guard (both now under the Department of Homeland Affairs), the Department of Commerce, and the Department of Energy. Its goal is to prevent proliferation by assisting other governments to establish and implement effective export control systems. This is done through sponsoring workshops to help draft export control laws and regulations and through the provision of equipment and training to border control agencies. Now active in over 30 countries, the program originally concentrated on WMD-source countries in the Former Soviet Union. Recently, it has expanded to include nearby states on potential smuggling routes and has focused on major transshipment hubs in Southeast Asia, the Mediterranean, and the Middle East. The EXBS budget has grown steadily and was up to \$40 million in Fiscal

Year 2001, with Russia receiving the bulk of the funding. EXBS advisors are currently working in about 20 countries.

38. Schlosser added that there are a number of other complementary programs. These include the State Department's Nonproliferation and Disarmament Fund, the Department of Defense's International Counterproliferation Program and Proliferation Prevention Initiative, and the Department of Energy's Second Line of Defense Program and International Nonproliferation Export Control Program. All of these programs are working towards the same goal, Schlosser stressed, preventing the proliferation of weapons of mass destruction.

Government-Industry Cooperation Vital

39. Richard Cupitt, Special Advisor to the Under Secretary of Industry and Security at the U.S. Department of Commerce (DOC), spoke on the importance of developing a public-private partnership for trade security. Government must work closely with industry for several reasons, Cupitt said. These include the close link between economic prosperity and free trade, industry's role in developing new products and technology, and the government's limited resources to control the huge volume of trade, which makes the voluntary compliance of industry critical. Industry can be involved through lobbying, public fora, participation in formal advisory committees, and through written comments on proposed rules.

40. Cupitt underscored the importance of industry involvement in the export control policy process during recent U.S. Government efforts to deal with transshipment problems. The industry outreach program had been focused on producers until it became clear from enforcement cases that transshipment was

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being used to undermine export controls. The U.S. then realized the importance of working with trade facilitators, those such as freight forwarders who work between the producers and end-users. Discussions were initiated with trade facilitators to talk about the problem, while the U.S. reviewed existing guidelines to ensure they made sense for trade facilitators. Draft best practices were developed and presented to industry for comment. During a regional conference in Bangkok in December, industry provided feedback, revisions were made, and on May 16 a formal request for public comment was made in the *Federal Register*. Through the outreach program to industry, the system benefits by gaining information that can lead to efficient enforcement and by gaining industry's voluntary compliance with export control regulations.

41. Cupitt also described DOC's Internal Control Program (ICP), a software program to help industry create its own control programs. The software provides industry with export control training, a company policy/procedures manual template, and databases on controlled dual-use technology. The ICP software is also available to foreign governments and is being used or is under development in Russia, Ukraine and Poland. Most companies want to comply, Cupitt concluded, and want to protect their good names.

Licensing Military Exports in the U.S.

42. Candace Goforth, Office of Defense Trade Controls, Department of State, described the State Department's system to manage export licensing for defense articles under the Arms Export Control Act and the Traffic in Arms Regulations. The items listed for control on the Munitions List are specifically intended for military or intelligence applications. Besides

hardware, technical data and defense services are also subject to licensing. Goforth reviewed the types of export licenses, highlighting current export trends. There is an increasing shift from shipping defense articles to transferring technical data and performing defense services to facilitate overseas production of military articles. The license review process, which is interagency, considers the eligibility of the applicant, the end-use and end-user, national security and foreign policy issues, the commodity and quantity, "blue lantern" checks, and multilateral regimes. An important element in the system is Congressional oversight. The State Department is required to file annual and quarterly reports with Congress, notify it of export approvals above a certain threshold, and inform it of unauthorized transfers. Finally, Goforth stressed the importance of strong compliance procedures, including significant criminal and civil penalties for violators.

The International Counter-Proliferation Program

43. The mission of the Department of Defense's International Counter-proliferation Program (ICP) is to "counter the threat of the proliferation of weapons of mass destruction and related material across the borders and through the countries of the former Soviet Union, the Baltic region, Eastern Europe, and the Balkans." Michelle Spencer, senior national security analyst at DoD, listed ICP objectives as:

- Supporting participating countries with WMD detection, response and investigation.
- Helping participants respond to WMD-related incidents.
- Training.

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- Ensuring the retention of skills and information.

Spencer outlined the training structure that includes DoD training conducted jointly with both U.S. Customs and the FBI. Besides WMD Executive seminars, training covers WMD crime scene operations, WMD crime investigations, WMD crisis management, and response to WMD incidents at borders. Spencer stressed the importance of an “integrated approach” in responding to threats and listed the benefits at the national, regional, and international levels. Calling attention to the big picture, Spencer concluded that proliferators, terrorists, and narcotics traffickers are often the same people who use the same organizational networks. Countries seeking to counter these activities must do this also.

Enforcement – The Importance of Risk Assessment

44. Fred Fetty, an advisor with the EXBS program, reviewed the principles of risk targeting for the Forum. The techniques hold no secrets, Fetty said, and are used by everyone in their daily life. In law enforcement they are part of a formal structure that ensures the systematic collection of information in order to make an intelligent decision on whether to release a shipment or investigate. Since it is not possible for Customs to examine all cargo and every individual, every effort must be made to identify those cases of high risk. The procedure involves collecting various types of data, analyzing the data, identifying high-risk targets, examining documents and the cargo, and documenting the results. The key is sharing information, Fetty concluded.

Enforcement – A Case Study

45. Tom Rowe from the Department of Homeland Security’s Bureau of

Immigration and Customs Enforcement, presented a case study to illustrate his organization’s mission of protecting against entry of WMDs into the U.S. and stopping exports of controlled items. The case involved an attempt by a Canadian company to export *E. coli* bacteria and the technology to grow it into the U.S. After inspectors checked with the Center for Disease Control, they found that while the actual amount of bacteria in the shipment was too small to be used as a weapon, the growth medium, equipment, and technical manuals constituted a package that could result in the production of enough bacteria to be dangerous. Four liters of the product in a water or food supply could kill thousands. It was then found that the end-user was a non-existent company and the address was for a foreign government facility involved in missile research. The shipment was stopped.

BREAKOUT GROUP REPORTS

46. During the second and third days of the Forum, participants divided into four smaller groups to discuss themes centering on policy, licensing, customs and border guards. A fifth breakout group of NGOs also met. The following are the key points that the chairs reported back to the plenary session.

Policy: Kevin Adams of the United Kingdom’s Foreign and Commonwealth Office opened the first policy breakout group with a presentation on the UK’s policy perspective. During a detailed two-session discussion, all participants agreed on the importance of effective national export control systems. The group noted that there had been significant progress in this area since the last Forum, notably the forward movement in Kyrgyzstan and Tajikistan. Armenia, Azerbaijan and

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Uzbekistan reported that they have also submitted export control laws to their parliaments. Participants agreed on the importance of cooperation between different sectors, including government cooperation with industrial enterprises. Kazakhstan is completing export control software to assist with interagency management and will soon implement the program. The group also expressed interest in joint systems of control of nuclear materials with the IAEA, such as the project that Turkey and Bulgaria have with the IAEA.

The group also agreed that there had been much progress on the RTA, but that final approval has not been reached, despite agreement in principle on a final draft.

Licensing: The first session of the licensing group led off with a presentation by Gene Lewis of the Department of Commerce on dual-use licensing in the U.S. Because it touched on so many crucial issues, Lewis' briefing sparked many questions on dual-use licensing. The WTO and non-tariff barriers were discussed as well as the reliability of end-users if they break licensing agreements. The problem of sellers using offshore zones to evade license requirements was also raised.

During the second session, Candace Goforth gave a presentation on the State Department's licensing procedures. This resulted in an exchange of information on procedures in other countries, including Azerbaijan, Georgia, and Ukraine. There was also interest in the issuing of licenses for transit

Another issue concerned the relationship between political authority and dual-use licensing. Some in the group suggested that it might be necessary to transfer the

issue to those with political authority, since in principle the issuance of licenses requires high levels of responsibility.

Customs: John Sullivan, Customs Program Manager at the Department of Homeland Security, briefed the first session on the new Department's organization, answering questions on the impact of the changes for U.S. Customs. Tom Rowe, also of Homeland Security, presented a case study on how Customs detected and stopped the attempted shipment of materials to manufacture *E. coli* bacteria. The group agreed on the importance of cooperation between various border control agencies, improved targeting, obtaining advance information on shipments, and working with government intelligence agencies.

During the second session, U.S. Customs and Border Protection and the WCO gave a joint presentation that covered issues such as standardization of control lists, cooperation with the private sector, and the WCO's list of 27 criteria. Looking at the entire supply chain is important to counter proliferation and smuggling. There was also discussion of Customs' automated system and the relative importance of guidelines and legal standards.

Border Guards: The group discussed the modification of border guards in the CIS countries. The group also noted the U.S. offer to assist coastal border guards and several representatives of border agencies expressed interest in meeting individually with U.S. counterparts.

Training was another issue discussed at length and the group found the presentation by Georgia of special interest. All agreed to cooperation on training and more training seminars will be conducted.

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NGOs: The group made several suggestions for the consideration of the Forum:

- It would be useful for the IAEA to build a database of known nuclear smuggling cases, similar to the databases on smuggling of chemical, biological, and missile items.
- In view of the many training programs, it might be useful if a deliberate effort to coordinate all U.S. training were undertaken through some type of coordinating mechanism.
- All national governments should keep their export control and nonproliferation websites up to date.
- Perhaps all would benefit if the NGOs could play a role in the other breakout sessions with government representatives.

Bangkok last year, a WMD shipment on its way to North Korea was stopped. It is clear that these conferences are beneficial, Schlosser concluded.

48. Amaniyaz Yerzhanov, Kazakhstan's co-host of the Forum, warned that international terrorism, organized crime, religious conflict, and social problems are common to all countries. They threaten to undermine nonproliferation regimes. As terrorism has become global in nature, global cooperation is required to counter it. Every nation needs clear-cut criteria to prevent proliferation and regional and international cooperation is critical. In closing, Yerzhanov thanked the U.S. for its support in the region, noting that financial, technical and advisory assistance are very important in controlling the proliferation of weapons of mass destruction.

CONCLUDING REMARKS

47. In offering some concluding thoughts on the Forum, John Schlosser said the gathering accomplished its purpose of focusing attention on current threats and drawing attention to the disturbing nexus between WMD, terrorism, and drug trafficking. Besides providing information on new developments in equipment and training, the Forum promoted cooperation between government agencies, among governments in the region, and between the region and international organizations. A number of positive actions have resulted from conferences of this type, Schlosser observed. For example, as the result of the regional transshipment conference in