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Export Control in South East Asian Countries and the Role of Japan

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Objectives of the Research

- ◆ Is national trade control enough?
 - Integrated production network throughout Asian region
 - Problems of redirecting export -- Region-wide control is necessary
- ◆ Can Japan be a model in Asia?
 - More experiences – Leadership role?
 - Some countries adopted Japanese models – Is there a common ground?
- ◆ Impact of A.Q. Khan's network
 - Improvement of industrial capability in S.E. Asia
 - Unwilling and unaware illicit trade due to the lack of coordination
 - Is this impact going to be the spring board for new regional arrangement?
- ◆ Vertical control and local conditions
 - Internal compliance program would be an obstacle for MNCs?
 - What are the difficulties of MNC due to the lack of local regulations?



Research Outcome (Hong Kong)

◆ Characteristics

- Regulating not only export but also import
- Obligations for transporters as well as exporter/importers
- Transshipment and transit require authorization
- Customs has strong enforcement jurisdiction
- Though not member of any Int'l regime, regulations, enforcement, info sharing (denial info etc.) are coordinated at the level of other regime members
- Int'l cooperation is extremely important
- In sum, HK performs as “re-regulator” of regional transactions. It's role as policeman of the regional trade

◆ Problems and Issues

- Increasing number of trade with mainland China
- Maintaining One Country, Two Systems – Political balance and sensitivity
- Role of Mega hub – Legal and institutional infrastructure

◆ Notes

- Relationship with industry – Liaison Group
- Adopted Compliance Program (CP) from CISTEC, Japan
- Never denied license – Asking clarification and additional info



Research Outcome (Singapore)

◆ Characteristics

- Export/Re-export – XO license, Transit,/Transshipment – XP license
- Broker/Intangible Technology are strictly regulated
- ACS (Approved Company Scheme) -- Widely accepted CP
- Goods are regulated if the trade is channeled through Singapore (without actual import/export through Singapore)

◆ Problems and Issues

- Large number of third country trade – Difficult to capture all intel.
- Should be supported by neighbor countries' trade control

◆ Notes

- No institutional link with industry, but outreach program
- Strong association with and support from the US
- Strengthening regulation after 9.11 – from guardian to active involvement



Research Outcome (Thailand)

◆ Characteristics

- Control is limited to arms
- Passive involvement of the gov't and lack of institutional arrangement
- Customs performs as the last line of defence
- In some cases, hazardous material law and narcotic law was invoked to capture illicit trade

◆ Problems and Issues

- Political priority for export control is not high
- Without top-down approach, coordination among ministries is difficult
- Difficult to promote export control from bottom-up approach
- Lack of awareness that Thai industrial and technological level is sophisticated
- Local sales is difficult to monitor – Increasing possibility for third country export
- Difficulty and weak enforcement for border control

◆ Notes

- Strong influence from the United States
- However, Thailand is not yet participating in PSI because there is no decision for allocating responsibility



Research Outcome (Malaysia)

◆ Characteristics

- Regulations on arms, chemical etc, but there is no coherent system
- Dual-use tech is controlled by Customs Law but insufficient
- Developing interministerial discussions, but the progress is slow
- Khan network – sophisticated technology was targeted
- Enforcement instruments – limited to ISA

◆ Problems and Issues

- Difference of strategic thinking – cf. nuclear development in Islamic world
- Relationship with the US – political sensitivity for applying control
- Lack of political priority over industrial development
- Major exporting goods are materials – control on industrial goods is problematic

◆ Notes

- Willing to accept Japanese leadership
- Certain impact of Khan network – not definitive to motivate the gov't



Export Control as Infrastructure

- ◆ Control is important for promoting free trade
 - Mega hub countries would accept this idea
 - Providing security and reliability to customers (exporters, transporters)
 - Advantages for international competition
 - Changes of flow of goods and info require further development of regulatory framework
- ◆ Control is obstacle for free trade
 - Newly industrialized countries tend to hold this idea
 - Further de-regulation is expected
 - Increasing international competition – Concerned states became good customers
 - Different understanding about threat and concerned parties
 - Lack of convincing logic for industry
 - Awareness that most of NICs became “haves” from “have nots” is important
 - Lot of exporters are foreign companies – vertical controls are very effective
- ◆ Legacy of COCOM
 - Big difference between member/non-member of COCOM
 - Institutions, experience, and most importantly, the understanding of the importance of export control
- ◆ The region needs a logic that NICs can accept



Role of Japan in the Region

- ◆ Importance of the role of Japan
 - Confidence building for the region
 - It's extensive production network, and more acceptable than US-led approach
- ◆ CISTEC Model
 - Some countries established regime in cooperation with industry
 - Certain common background for public-private partnership
 - The idea of Model CP is widely accepted
 - Role of the seconded CISTEC staff in other countries is effective
- ◆ Japanese initiatives
 - Asian Export Control Seminar, ASTOP, Tokyo Declaration (2004)
 - Outreach for practitioners are effective but limited
 - It is important to establish strategic and diplomatic dialog and outreach to political level
- ◆ Obstacles for Japan to take a leading role
 - Complex legal arrangement – Different code and order
 - Image of US allies – Sometimes work unfavorably
- ◆ Information Clearing House towards Regional Regime
 - Extending ARFNet approach to export control
 - Regional storage and distribution of information on classification and enforcement
 - Electric processing of licensing and training
 - Increasing transparency and building mutual trust