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Issues of Export Control In Asia

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Asian Export Control Seminar

Theme 6: Issues of Export controls in Asia and how to solve them
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Reminder

- ◆ This presentation does not represent the opinion of Japanese government
- ◆ It also represent individual study of the Japanese Association of Strategic Trade Control, not the opinion of the Association as a whole



Background

- ◆ **Impact of A.Q. Khan's network**
 - Proving 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?
- ◆ **Level playing field**
 - Progress in free trade network in Asian region
 - From European experience, integrated market needs level playing field
 - Difference of regulations would confuse transnational business
 - Question of third party export – uneven national system and practice would jeopardize the free trade
- ◆ **Is country/region trade control enough?**
 - Integrated production network throughout Asian region
 - Problems of export to third parties – limits of single country and region to control
 - Still, the framework of export control is based on country/region frameworks
 - Regional cooperation is extremely important for improving export control in Asia



Export Control as Infrastructure

- ◆ Two schools of thoughts
 - Control is important for promoting free trade
 - 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 (NICs) 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
 - Lot of exporters are foreign companies – vertical controls are very effective
- ◆ Legacy of COCOM makes a difference
 - 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 Newly industrialized countries and regions can accept
 - What can be the common value for export control in Asian region?



Role of Japan in the Region

- ◆ We think Japan should play a role in the region
- ◆ Importance of the role of Japan
 - Forerunner of export control practice – Lessons that Japan can provide
 - Its extensive production network, and more acceptable than US-led approach
- ◆ CISTEC Model
 - Cooperative scheme between government and industry
 - The idea of Model CP is widely accepted
- ◆ Japanese initiatives
 - Asian Export Control Seminar, ASTOP, Tokyo Declaration (2004)
 - Japanese initiatives lack political/strategic approach – mostly technical and administrative
- ◆ Obstacles for Japan to take a leading role
 - Complex legal arrangement – Different code and order
 - Image of US allies – Sometimes work unfavorably



Five Questions (1)

- ◆ 1. How do you think the importance of the regional cooperation
 - There are various levels of regional cooperation
 - Training, information exchange, joint operation (PSI type) etc.
 - Which area of cooperation is the most needed to achieve your objectives?
 - What are the most appropriate level of regional cooperation?
 - What is the advantage of regional cooperation in comparison with international cooperation?
 - How do you assess the current condition of export control in the region – we think that there are many differences in regulations and practices among Asian countries and regions which would undermine some countries and regions practice – coordinated and leveled control is important



Five Questions (2)

- ◆ 2. What role would your country/region take in the regional cooperation.
 - There are various approaches to develop regional cooperation scheme
 - What are the strengths of your country's and region's export control system?
 - What are the weaknesses of your country's and region's export control system?
 - Strength and weakness of institution and practice
 - How would you turn your strength into the regional cooperation?
 - How do you see your country's and region's position or role in the region, for example:
 - For manufacturing state, the role as origin of technology transfer
 - For port state, the role as a “policeman” or “bystander”
 - For newly industrialized state, the role as technology importer or transit hub for the export to third parties
 - We regard Japan as a forerunner of export control



Five Questions (3)

- ◆ 3. What should be the common value among the members of the region to be shared for effective export controls.
 - If there would be a regional framework, there should be certain common understanding among the members
 - What would be the basis of common understanding, for example:
 - Export control as infrastructure of free trade
 - Export control as international obligation to implement
 - Export control as Western value and different from Asia
 - Is the value (or rationale) of export control acceptable to all Asian countries and regions?
 - We think that common value is crucial for leveling national system and practice



Five Questions (4)

- ◆ 4. What are unique points of your country/region's practice for other countries/regions to learn from you.
 - There are differences of exercise and practice of export control
 - Relationship between government and industry
 - Incentives to companies to comply with regulations
 - Electronic licensing process etc.
 - What might be the lessons that other countries and regions can learn from your experience
 - What might be the negative aspects of your export control system which needs to be changed – we think negative lessons are also important for other countries and regions not to repeat the same mistake



Five Questions (5)

- ◆ 5. What should be learned from other country/region's practice.
 - Other countries and regions have different practices and experiences
 - CISTEC model is one of the models that other countries and regions learned from such as Internal Compliance Model
 - What are the other possibilities that your countries and regions might learn from other countries and regions (not necessarily Asian countries and regions)?
 - Is there a model for regional cooperation? – How do you evaluate the European experience through European Union?