

STRATEGIC GOODS COMMISSION ACTIVITY REPORT 2015

The Strategic Goods Commission is a body established by the Ministry of Foreign Affairs for the licensing and supervision of strategic goods to ensure the functioning of the strategic goods control system and discuss issues related to strategic goods. The Commission is composed of representatives of the Ministry of Foreign Affairs, the Ministry of Defence, the Ministry of Economic Affairs and Communications, the Internal Security Service, the Police and Border Guard Board, and the Tax and Customs Board.

According to its rules of procedure, the Commission submits to the Government of the Republic an annual activity report, which provides an overview of international events and developments in the area of export control and strategic goods control as well as measures to improve the control exercised by the state. The statistical data explaining the activity of the Commission has been attached to the activity report.

I. Overview of events and developments in the area of export control in the international arena

The purpose of international export control is to monitor cross-border transfers of military and dual-use goods and possible arms procurements causing instability in order to contribute to and ensure peace and national and international stability and security. Over decades, export control has proved its importance, primarily in preventing the spread of terrorism and the proliferation of weapons of mass destruction in the world. These objectives can only be met by multilateral cooperation with other countries, companies and international organisations globally as well as in the European Union.

In 2015, just like in 2014, the Strategic Goods Commission was greatly affected by sanctions imposed by the European Union on the Russian Federation for its activities harming or threatening the territorial integrity, sovereignty and independence of Ukraine. The sanctions restrict the export and import of military and dual-use goods to and from Russia and transit related to Russia. However, in 2014 it was difficult for companies to understand and apply sanctions and the Commission had to spend a lot of time on providing information and consultations but in 2015 there was less interest in transactions with Russia. Such a change indicates a greater awareness of companies.

Estonia continues as a participating state in three international export control arrangements – the Wassenaar Arrangement (on Export Controls for Conventional Arms and Dual-Use Goods and Technologies), the Nuclear Suppliers Group (on the control of nuclear materials), and the Australia Group (fighting the spread of chemical and biological weapons). In 2015 Estonia made enhanced efforts to join the Missile Technology Control Regime (MTCR) but there was no breakthrough in the MTCR plenary meeting in Rotterdam in the autumn of 2015.

Discussions on new technologies, the promotion of information exchange and guidelines regarding the prevention of excessive accumulation, end-use control as well as transit, reloading and brokering control of conventional arms continued within the Wassenaar Arrangement in 2015. On the recommendation of the Technical Experts Group the checklists for relevant goods

and technologies were specified. The possibilities for involving new members were also discussed. However, no new members were accepted in 2015.

The usual activities of the Australia Group entail discussions on developments in the proliferation of weapons of mass destruction, exchange of information on destination countries, discussions on issues of implementation of control measures, and updating of lists of goods. Best practices of export control are shared with its members, and the future of the Australia Group and possible new members are discussed. In 2015 the Australia Group celebrated its 30th anniversary. 2015 also marked the passing of 100 years since chemical weapons were first used.

The 2015 plenary meeting of the Nuclear Suppliers Group took place in Bariloche, Argentina. Among others, activities related to nuclear programmes endangering international security were discussed and information on the spread of weapons and cases developed in the implementation of control measures was exchanged. The Technical Experts Group addressed changes to checklists. Representatives of Estonia did not attend the Bariloche meeting.

Efficient cooperation is maintained within the European Union. The representatives of the Strategic Goods Commission actively participated in the meetings and information exchange of the working parties of the European Union involved in export control issues—the Working Group on Conventional Arms Exports and the Arms Trade Treaty (ATT) (COARM) and the Working Party on Dual-Use Goods (WPDUG). The work of the working parties involved in the implementation of Directive 2009/43/EC (simplifying terms and conditions of transfers of defence-related products within the Community), Regulation (EU) No. 258/2012 (improvement of export, import and transit control of firearms, their parts and components and ammunition) and Regulation (EC) No. 428/2009 was also contributed to.

In 2015, the COARM working group mainly focused on the exchange of information between the member states regarding the export of military goods to sensitive destinations, the updating of the lists of goods, and the establishment of the electronic data exchange system for refusals of transactions. The EU Common Position on Arms Exports 2008/944/CFSP (concerning the principles applied upon the export control of military goods and the criteria for refusal of transactions) was also reviewed in the context of effects arising from the entry into force and implementation of the Arms Trade Treaty (ATT).

The Arms Trade Treaty adopted and signed by the United Nations (UN) in 2013 entered into force on 24 December 2014. In the autumn of 2015 the ATT working group, which had thus far been an independent body, was merged with the COARM working group. This was after the first conference of the States Parties to the ATT in August 2015 (Cancun, Mexico) after which there was less need to thoroughly discuss the structure and functioning of the ATT Secretariat.

The WPDUG continued with the review of export control policies in the area of dual-use goods, initiated by the Green Paper consultations in 2011. The European Commission started preparing amendment proposals; the first step was an impact evaluation in the course of which the opinion of the member states was also asked. Unfortunately, no Estonian companies took part in the Commission's survey. The amendment proposals aim to enhance the European control policies in the area of dual-use goods. The Dual-Use Coordination Group set up on the basis of Article 23 of Regulation (EU) No. 428/2009 on dual-use goods mainly focused on issues pertaining to the implementation of the Regulation.

In 2015 the discussion on Regulation (EC) No. 1236/2005 (concerning trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment) was continued. At the end of 2013 the European Commission presented its amendment proposals which aimed to enhance the control of the European Union over such goods. The amendment proposals have been considered for two years now and consideration will also continue in 2016.

The European Commission and experts from the member states continued their discussions on how to implement the simplified procedure for transfers of defence-related products established by Directive 2009/43/EC in 2012 more effectively within the European Union. The member states have not implemented the Directive as quickly as the Commission first expected. It has also been established that the member states implement the Directive very differently and it hinders the harmonisation of the Directive and the integration of the European Union defence industry. In an attempt to solve this issue, the working group convened to implement the Directive held, in 2015, negotiations for reaching an agreement on the minimum level of the terms and conditions of general transfer licences established under the Directive. The European Commission and the member states, including Estonia, continue to contribute to raising awareness, so that companies would make more use of the simplifications set out by the Directive.

Within the framework of regional cooperation two meetings were held for export control experts from the Nordic-Baltic countries in 2015—in Helsinki and in Tallinn. The general aim of the meetings was to exchange information about developments in export control arrangements, amendments in legislation and resolving current issues. The Nordic-Baltic cooperation forum is a great opportunity to tighten regional cooperation and export control policies.

In 2015 Estonian experts also gave their contribution to the provision of information to third countries and several international export control conferences were also actively attended. Last year Estonia was visited by export control delegations from Tajikistan and Uzbekistan within the USA EXBS Program. The aim of the visits was to learn from the Estonian experience in strategic goods control. The strategic goods control system applied by the Tax and Customs Board (hereinafter also the TCB), risk analysis possibilities and operational work done at Muuga Port and Narva border crossing point were introduced to the guests. The visits were very successful and they will be organised in following years as well.

II. Changes in national legislation

In 2015 there were no significant changes in relevant legislation. The national lists of military goods, dual-use goods and defence-related products were updated taking into account the changes agreed in international export control arrangements and the renewed list of military goods of the European Union.

In 2015, the members of the Commission actively contributed to the draft amendments to the Weapons Act initiated by the Ministry of the Interior because the Weapons Act and the Strategic Goods Act complement each other and the Commission felt it necessary to unify the control principles and actions under both Acts. This concerns, above all, the imposition of international sanctions pertaining to the import and export of firearms and ammunition.

III. Activity of the Strategic Goods Commission

1. Increasing awareness concerning strategic goods in 2015

The Strategic Goods Commission pays undivided attention to improving awareness of strategic goods in all relevant fields. Since a seminar on strategic goods transit control for companies involved in transit and logistics and a seminar on the application of control for everyone interested were organised in 2014, there were no scheduled seminars in 2015 (it is best to organise such seminars every two or three years). But information concerning strategic goods control on the website of the Commission was updated and important information was passed on to the Commission's clients through e-mail.

In the summer of 2015 a new electronic environment Stratlink for processing special authorisations was launched and for smoothing its introduction into use and for training its users, the Commission organised a training day for persons in contact with the Commission in May 2015. The Commission's clients have happily accepted the new processing environment and there have been no significant problems in its use.

In 2015, the officials of the TCB visited a company dealing with strategic goods. The visit aimed to introduce strategic goods control legislation and customs procedures, thereby raising companies' levels of awareness and ability to operate within the law. During the period of 2007–2015, 48 companies involved in strategic goods were visited for preventive purposes. In 2016 these visits will continue.

In 2015, as in the previous periods, the TCB in cooperation with the Ministry of Foreign Affairs, the Internal Security Service, the Technical Regulatory Authority, the Ministry of the Environment and the Rescue Board organised two strategic goods trainings intended for Estonian officials based on the commodity identification training materials of the U.S. Department of Energy (so-called CIT training). Officials of the TCB, the Rescue Board, the Internal Security Service, the Ministry of Foreign Affairs and the Police and Border Guard Board took part in the trainings. The trainings aimed to raise the officials' knowledge and awareness of strategic goods. Such cooperation trainings will continue in 2016 as well.

In September 2015, with assistance provided by the USA, radiation monitors were installed in the cargo terminals of Tallinn Airport which enable the checking of the import and export of radioactive goods to and from Estonia. US trainers trained five officials of the TCB who have the right to train other officials of the TCB to exercise control over radioactive goods and weapons of mass destruction. In total, there were two trainings for officials on how to use the radiation monitors and discover radioactive contraband.

A terrorism prevention training for customs and border guard officials was organised as part of a pilot project in 2015 to discover possible hazards and signs of terrorism. The training introduced strategic goods related to weapons of mass destruction that could indicate manufacture of weapons of mass destruction. The training was organised by the TCB, the trainers were representatives of the Internal Security Service and the Rescue Board, and it was attended by

officials of the TCB, the Police and Border Guard Board, the Internal Security Service and the Rescue Board. This project will be continued in the autumn of 2016.

The TCB continues analysing information concerning the export, import and transit of strategic goods and Estonia's trade with countries under embargoes; this is done twice a year.

2. Measures planned for the enhancement of strategic goods control in 2016

The Strategic Goods Commission will continue the activities that make the control of strategic goods in Estonia more effective and improve the work organisation of the Strategic Goods Commission. Several of these activities, such as the organisation of seminars, outreach, trainings and updating the lists of goods, remain the central activities of the Commission every year.

The major activities planned for 2016 are:

- fully applying and configuring the electronic platform Stratlink for processing special authorisations;
- enhancing the implementation measures of international sanctions;
- improving relevant legislation, including updating the lists of strategic goods;
- participating in the work of international export control arrangements and the European Union working parties as well as in regional cooperation, and making proposals to amend the lists of the arrangements, if necessary;
- providing assistance in working out demilitarisation requirements;
- organising awareness raising events and seminars for entrepreneurs, researchers and experts dealing with strategic goods to enhance general awareness and responsibility, introduce legislation and international guidelines and promote cooperation;
- contributing to the continuing inter-agency training led by the Tax and Customs Board with the aim of promoting cooperation between authorities in enhancing strategic goods discovery and control;
- updating the website of the Commission with information concerning strategic goods and practical information on arms embargoes and restrictive measures of the European Union;
- in case of media interest, publishing articles on the subject and providing information for the public;
- providing assistance in organising international seminars on the control of strategic goods in Estonia;
- welcoming the licensing authorities of other countries to share experience.

The authorities and supervisory organisations of the Commission continue to cooperate with the partner services of other countries for the prevention of the illicit proliferation of conventional arms and weapons of mass destruction as well as the technology, materials and equipment necessary for the manufacture thereof. To enhance transnational cooperation, they will participate in international exercises and seminars. In addition to continued training, additional knowledge is obtained during meetings with various experts within the framework of export control organisations and everyday international cooperation.

3. Statistics of the Strategic Goods Commission activities in 2015

1) Number of issued licences and end-use control documents as well as consultations provided

In 2015, the Strategic Goods Commission issued special authorisations and end-use control documents for strategic goods as follows:

- export licences of military goods—97;
- import licences of military goods—116;
- transit licences of military goods—11;
- licences for the provision of services related to military goods—3;
- export licences of dual-use goods—34;
- end-use certificates—14;
- international import certificates—7;
- notices of registration as general authorisation user—4.

No licences for the transit and brokering of dual-use goods were processed.

In 2015, a total of 291 documents were issued, including 282 special authorisations which is 90 more than in 2014 (increase of approx. 47%). Goods were exported, imported and transferred through Estonia on the basis of special authorisations to the total value of EUR 32 million, which is over EUR 71 million less than in 2014 when the total value of goods was EUR 103 million.

Analysis of the number of special authorisations and the volume and nature of trade flows across the border on the basis of such authorisations reveals that the number of special authorisations has significantly increased but the value of goods transferred on the basis thereof has decreased. One possible reason is that the processing of licence applications is more effective thanks to the processing platform Stratlink introduced in the summer of 2015. Theoretically it is also possible that under special authorisations issued in 2015 (valid for one or three years depending on the type of the authorisation) goods are not supplied until 2016. So, the increase in the volume of goods arising from the larger number of special authorisations is somewhat delayed. In 2015, as in previous years, one category of dual-use goods (telecommunication equipment) dominated the entire export volume and the vast majority of it was attributed to one exporter. But the statistics show that the capability of the Estonian defence industry and the geographic range of markets are constantly growing.

The officials of the TCB contacted its strategic goods experts on 322 occasions for obtaining their expert opinion on whether or not the goods required a Strategic Goods Commission licence. On 332 occasions additional inspection of documents was carried out and physical inspection of goods was performed to establish the strategic nature thereof. The Secretariat of the Strategic Goods Commission gave consultations to individuals and companies concerning strategic goods licensing and the identification of goods around 200 times, 25 of which through Stratlink.

In addition to daily communication via electronic communication channels, 22 virtual, conventional and extraordinary commission meetings were held in 2015.

2) Number of registered military goods brokers, certified undertakings and general licence users

In 2015, five companies were registered or re-registered as a military goods broker: Rose Mons OÜ, Eurosec OÜ, Danator OÜ, Reorg OÜ and Larett Technologies OÜ. As of 31 December,

11 companies had the right to broker military goods: Dolfin Aero OÜ, Bristol Trust OÜ, Rose Mons OÜ, Musket OÜ, Baltic Armaments OÜ, Milmetts OÜ, Firestudio OÜ, Eurosec OÜ, Danator OÜ, Reorg OÜ and Larett Technologies OÜ. In total, the number of persons entered in the register of military goods brokers increased by two persons compared to 2014.

As of 31 December 2015, there were seven registered general licence users; four general licence users accrued within a year. No certification applications were filed to the Commission in 2015 and therefore no undertakings were certified.

3) Special authorisations issued under Regulation (EC) No. 1236/2005 (concerning trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment)

In 2015, the Strategic Goods Commission received no applications for the cross-border movement of goods subject to Regulation (EC) No. 1236/2005 and therefore no special authorisations were issued.

4) Refusals to make a registration, issue a special authorisation or end-use control document

In 2015, the Strategic Goods Commission refused to issue a special authorisation or end-use control document or enter a broker into the register on one occasion. The refusal was related to the application of the sanctions imposed on the Russian Federation by the European Union. The export of industrial valves and transmissions that belong among dual-use goods was refused because the Commission had reason to suspect that these goods may entail military end use. The Commission did not refuse any registrations or issue of end-use control document in 2015.

5) Offences related to strategic goods and violations of international sanctions and data on the end-use supervision and licence use follow-up control

Offences related to transfers of strategic goods are processed by the Tax and Customs Board and the Internal Security Service.

In 2015, the TCB discovered a total of six violations of the Strategic Goods Act. These involved transfers of weapons prohibited for civilian use and unlicensed goods. The violations were primarily related to trucks of category ML5 and their spare parts, weapons of category ML1, and night vision sights.

The largest discovery was made in Luhamaa border customs area where in October the officials of the TCB found in a vehicle going to Russia 51 weapons prohibited for civilian use, including 40 TT pistols, 5 automatic weapons, magazines and various essential components of weapons. Criminal proceedings have been commenced.

In June 2014 the monitoring of sanctions applied to Crimea was added to the TCB's obligations, for which purpose the TCB established control criteria that prohibited import. As of 31 July 2014 the TCB took control measures regarding the restrictions imposed on Russia and established control criteria for the export of oil and gas industry equipment. Possible embargo violations in relation to Russia were checked on the basis of 419 customs declarations, that is regarding

1285 items of goods. In 2015, the TCB discovered 3 violations of Russia embargoes; the goods were shipped back to their countries of departure.

In 2015, the Internal Security Service commenced criminal proceedings concerning violations related to strategic goods on three occasions: two criminal proceedings were commenced under § 421¹ of the Penal Code (illegal carriage of strategic goods or illegal provision of services relating to strategic goods) and one under § 418 of the Penal Code (unlawful handling of firearms or essential components thereof or ammunition) and § 418¹ of the Penal Code (unlawful handling of firearms prohibited for civilian use or essential components thereof or ammunition).

On one occasion criminal proceedings were commenced due to the fact that cartridges of various calibres were brought to Estonia hidden inside a battery casing. The criminal proceedings commenced to investigate said crime will continue in 2016.

On the second occasion criminal proceedings were brought because it was established that a company registered in Estonia had violated the Strategic Goods Act upon brokering military goods from a foreign country to another foreign country (the goods never made it to Estonia nor were they supposed to)¹. The criminal proceedings were terminated on 22 February 2016 due to unreasonableness and the legal person was obligated to pay €20,000 and the company's procurator €3000 into the public revenues.

The third criminal proceedings commenced under §§ 418 and 418¹ of the Penal Code arose from the fact that persons living in Estonia illegally made five previously deactivated firearms capable of firing again and then illegally transferred them from Estonia to the Russian Federation. On 22 February 2016 Harju County Court found the persons who had violated the law guilty in settlement proceedings and imposed imprisonment on them.

2015 statistics on transfers of strategic goods

Export of military goods

Category	Number of licences	Countries of destination of goods	Value of licences (EUR)	Actual export (EUR)
ML1	32	KZ, ZA, UA, GE, XS, IQ, LV, CH, US, UZ	1,248,919	203,378
ML2	3	VN, IQ, LV	278,665	10,684
ML3	3	IQ, ZA, UZ	57,068	51,508
ML4	4	GB, ES, SE	600,000	195,818
ML5	7	LT, US, BG, LT, CH	2,937,668	3186

¹ According to the Strategic Goods Act, brokering of military goods means the provision or making available of information, practical assistance or funds, the conduct of negotiations or the arrangement of transactions with a view to conclude an agreement relating to military goods involving the transfer of goods from a foreign country to another foreign country; or the acquisition of military goods located in a foreign country with a view to transfer the goods to another foreign country. A person who is registered as a broker in the database may be engaged in brokering of military goods. Said person is required to apply to the Strategic Goods Commission for a licence for each brokering transaction.

ML6	1	LV	0	0
ML10	10	US, UG, UA, BR, AO, AE	3,633,297	177,201
ML13	3	UA, AT, CA	53,144.67	0
ML14	9	EE, AZ, CZ, JO, PL, UA	3,237,179	195,417
ML15	31	SG, DE, FR, NL, US, AT, SE, GB, CH, PL, DK, SK, ES, BG IN, CR	865,597	41,938
ML17	1	AE, SG	300,000	0
ML21	1	DE	479,208	0
Total			13,690,750	879,134

Import of military goods

Category	Number of licences	Country of origin of goods	Value of licences (EUR)	Actual import (EUR)
ML1	35	FI, IL, US, NO, DE, CH, SE, RU, AT, CZ	1,240,994	414,570
ML2	2	BG, LV, LT	41,613	41,613
ML3	2	DE, US	137,792	1792
ML4	7	BG, KR, MY, DE, FI	2,128,849	1,225,953
ML5	9	US, FI, SK, CH	372,345	24,806
ML6	3	UA, FI, NO	970,345	957,300
ML7	2	GB, US	18,368	18,267
ML10	7	CZ, UA, LV, LT	865,394	3851
ML11	1	CA	22,915	22,915
ML13	28	KR, FI, CN, GB, DE, US, NO	4,479,304	3,230,033
ML14	2	EE, NO	83,757	0
ML15	14	FR, US, LV, BY	903,852	311,810
ML17	1	EE	300,000	0
EST2	2	US	1447	1252
Total			11,566,978	6,254,165

Note No. 1. The actual value of transfers under the licences issued in 2015 has been calculated based on reports received from the license holders as of 1 April 2016. If no transfers were made in 2015, the actual transfer value has been left blank. The value of goods exported for the purpose of demonstration or as a donation is shown as "n/a".

Note No. 2. If the country of origin of the goods is shown as EE in the case of import of military goods, it means the return of military goods of Estonian origin from international defence industry exhibitions held abroad.

Transit of military goods

Category	Number of licences	Country of origin of goods	Country of destination of goods	Value of licences (EUR)	Actual transit (EUR)
EST2	5	US	LV, LT	2,737,590	196,051
ML1	2	UK, CH	KZ	23,000	0
ML2	1	PL	VN	117,462	75,956
ML10	2	UA	VN	394,918	0
ML13	1	LU	RT	600	300
Total				3,273,571	272,307

Provision of services related to military goods

Category	Number of licences	Country of origin of goods	Country of destination of goods	Value of licences (EUR)	Actual provision of services (EUR)
ML2	2	UA	IN	521,560	246,954
ML10	1	US	NG	3,592,599	0
Total				4,114,159	246,954

Note. The actual value of transfers under the licences issued in 2015 has been calculated based on reports received from the license holders as of 1 April 2016. If no transfers were made in 2015, the actual transfer value has been left blank.

Export of dual-use goods

Category	Number of licences	Countries of destination of goods	Value of licences (EUR)	Actual export (EUR)
1A007	3	SE, FR, MA	270,620	10,170
1C350	11 + general licence	DZ, SA,MD, KZ, RU, BY	1,877,392	121,726
1C450	2	RU	643,926	237,888
2B350	5	RU	1,269,878	834
4D004	1	US	105,863	105,863
3A001	Global licence + general licence	MY, TH, AO, ID, MO, SC, SG, IS, BR, MX, PR, AR, PA, HT, BA, RS, ME, MK, UA, KZ, BY, TR, JO, KW, PS, TN, DZ, NG, GH, BW, BI, CM, CG, GN, GW, KE, LS, MG, MW, ML, MU, MZ, NA, RE, SN, SZ, TZ, UG, ZM, SL, BF, AW, BB, BJ, BO, BQ, BT, CL, CO, CR, CW, DO, GD, GT, HN, MD, NI, PH, JM, PG, KR, KY, LK, SV, TD, VE, AE, EG, CN, HK, IN, MA, RW, TW, RU, VN, BH, OM, PK, SA	n/a	24,069,739
3A002	Global licence			
5A001	Global licence			
5A002	Global licence + general licence			
5B002	Global licence			
5B001				
5D002	Global licence + general licence			
6A003	1 + general licence	RU, US	7700	199,031
7A002	1	CH	80,000	0
9A012	1	UA	50,000	0
Total			4,305,381	24,745,254

Note. The actual value of transfers under the licences issued in 2015 has been calculated based on reports received from the license holders as of 1 April 2016. If no transfers were made in 2015, the actual transfer value has been left blank.