

# STRATEGIC GOODS COMMISSION ACTIVITY REPORT YEAR 2007

The Strategic Goods Commission is a licensing body within the Ministry of Foreign Affairs which is composed of the representatives of MFA, Ministry of Defence, Ministry of Economic Affairs and Communications, the Security Police Board, the Police Board and the Estonian Tax and Customs Board. Pursuant to the Strategic Goods Act, Article 48, the Strategic Goods Commission submits an activity report to the Government at least once a year.

## **I. Overview of development directions in international export control co-operation in 2007**

The goal of the international export control regimes of strategic goods is peace and security via surveillance of the supply of arms and dual-use goods. Export control regimes have been developed to guarantee that the agreements on combating international distribution of arms shall be implemented. Each year the importance of export control increases in relation with the need to enhance efforts for combating terrorism and non-proliferation.

Estonia at present belongs to three export control regimes. Those are the Wassenaar Arrangement, the Nuclear Supplier's Group and the Australia Group. In 2007, Estonia participated in the regular meetings and in the Plenary in Vienna of the General Working Group, Expert Group as well as of security and intelligence experts of the Wassenaar Organisation, in the meetings in Vienna and in the Plenary in the South African Republic of the consultative committee of the Nuclear Supplier's Group and in the Plenary of the Australia Group in Paris. In 2007, the countries participating in the Missile Technology Control Regime failed to achieve consensus as to including new members (beside Estonia seven EU member states are waiting for the member status) and for that reason Estonia's accession to that organization is being postponed for the near future.

In 2007, in international export control regimes several compendiums of best practices concerning licensing and the enhancement of strategic goods control as well as other documents in that field were adopted. To implement in Estonia the control measures contained in these documents the Strategic Goods Commission has already taken some concrete steps. In the regimes also the lists of strategic goods were complemented and

the modifications included therein were transferred into the European Union control lists. The European Union's single list of dual-use items and the list of goods, which can be used for the execution of death penalty, for torture or for treatment or punishment in a cruel, inhuman or degrading way are directly applicable to Estonia. The bringing of the list of military goods of the Republic of Estonia into conformity with the complements made in 2007/2008 in the European Union common list of military equipment is ongoing at the moment.

The representatives of the Strategic Goods Commission altogether for 14 times actively participated also in the work of the European Union's working groups for export controls on conventional arms (COARM) and dual-use goods (WPDUG).

In the spring of 2007, the representatives of the Commission (Security Police Board) in the framework of the Proliferation Security Initiative participated in the training exercise "*Smart Raven 2007*" in the Republic of Lithuania, in which the special services of Estonia, Latvia, and Lithuania as well as of the US were involved. According to the scenario of the exercise, joint activities in forcing a cargo plane suspected of carrying strategic goods to land was trained. In the autumn of 2007, the representatives of the Commission (Ministry of Defence, Security Police) attended as observers the military exercise „*Eastern Shield 2007*” jointly arranged in Odessa by Ukraine, Bulgaria, Georgia, Romania and Poland. The exercise was focused on the study of different weapons technology (incl. self-made explosive devices) as well as on behaviour scenarios in case of their discovery.

The Commission of Strategic Goods has always considered the promoting of training connected with the topic of strategic goods very important. In April 2007, in co-operation with the US National Nuclear Security Administration and with a consulting company in the export control field of Great Britain an information day was held, directed mainly at business circles and treating the control of strategic goods. In the information day, 76 persons participated from businesses directly dealing with the import and export of strategic goods, from different enterprise organizations and from state agencies which exercise supervision over strategic goods control.

In addition to information events directed at private sector, seven trainings intended for customs officers were conducted in the field of strategic goods, the majority of which were the Protection Identification Tool trainings in all four regional tax and customs centres. The trainings were conducted in co-operation with the co-coordinators of the program of export controls for border security of the US Department of Commerce

and of the US Department of State. In 2007, in-depth lectures directed at the students of the Finance College of the Public Service Academy about international export control system and about strategic goods control in Estonia were continued.

In 2007, in the framework of notification activities in the field of strategic goods control directed at business circles, also articles covering strategic goods control were published in the Estonian press. In addition to several pieces of news on the discovery of illegal conveyance of strategic goods, in the issue of 12 April of the *Äripäev* an article entitled „Strategic goods control prevents unpleasantness” by Deputy Chairman of the Commission R.Kruuv and in the issue of 25 April an article „The EU without borders requires special authorization” by journalist H.Tuul was published. In addition, the Commission has established contacts with a number of Internet forums gathering military techniques enthusiasts (incl. [www.4x4.ee](http://www.4x4.ee); [www.militaar.net](http://www.militaar.net)) in order to notify persons partaking in them of the substance and rules of the strategic goods control. Also, the Security Police Board in 2007 published a brochure intended for regular citizens and businesses engaged in international trade „Reminder on Weapons of Mass Destruction and on Strategic Goods”.

The Strategic Goods Commission in mutual communication makes use of all ordinary means of communication. To process licences the program Tracker is used. In addition to current communication through electronic information channels, 20 virtual meetings, 2 regular meetings with physical presence and 2 extraordinary meetings of the Commission took place in 2007.

## **II. Measures for enhancing strategic goods control in 2008**

In 2008, the Strategic Goods Commission has planned a variety of activities to strengthen and to render more effective as well as to enhance the inner organization of work of the Strategic Goods Commission. Such activities among other things include:

- Elaborating of the translations of the lists of strategic goods in order to enhance unambiguous understanding of the lists and the legal certainty of their users;
- Renewal of the Strategic Goods Act in order to bring it into accord with developments having taken place since 2004 in the field of international export control and in order to eliminate gaps as well as ambiguities contained in the act;
- Arranging of a seminar treating strategic goods control for public prosecutors and for other authorities participating in the administration of justice in order to improve their knowledge about

strategic goods control and about international security environment as well as to raise the quality of decisions made by them;

- Arranging of an information day treating strategic goods control for business, research and study circles with a purpose to raise consciousness among them about the substance and rules of strategic goods control and to prevent the possible offences in future;
- In co-operation with the US governmental bodies, the creation and launch at the Public Service Academy of a permanent training program intended mainly for the employees of surveillance agencies (Tax and Customs Board, Police Board, Security Police Board etc.) and covering the identification and control of strategic goods;
- In case of interest shown by the press, the continuation of publishing articles introducing the area and
- Technical renovation as well as improvement of the strategic goods licensing program Tracker together with introducing the digital signature on a larger scale than before.

Under § 47 of the Strategic Goods Act, from among the Commission members performing state supervision of goods import, export, transit and services the Security Police Board in 2008 continues to plan enhancing co-operation with different national special services for curbing the illicit proliferation of conventional arms and weapons of mass destruction as well as of technology, materials and of equipment necessary for their production and to participate in international training exercises arranged in the said field with the purpose of practical training of carrying through interstate joint activity according to different scenarios. Domestically, the Security Police Board in 2008 plans in addition to what is related to the conveyance of military goods to pay more attention to the performance of end-user control as well as to the conveyance of dual-use goods into third countries through the Republic of Estonia.

The Tax and Customs Board in 2008 plans to analyse complementarily the movement of strategic goods across the chapters in order to find out, which are the possible objects of offence. The aim is to direct more means to the control thereof in order to discover more movement of unlicensed goods. The Tax and Customs Board has with the aim of developing co-operation with entrepreneurs as well as with the aim of prevention also planned to pay visits to companies dealing with strategic goods. In the framework of a customs audit, it has been planned to visit enterprises purveying arms within the EU with the purpose to check if the enterprises have in accordance with rules in force provided to the customs

office notices on the movement of goods between the EU member states and if they have sold goods in a foreign state pursuant to what is provided for in the licence.

### **III. Statistics of the Activity of the Strategic Goods Commission of 2007**

#### **1. The number of issued licences, certificates as well as documents of end-use control and the number of consultations provided**

The Strategic Goods Commission issued special authorizations and documents of end-use control for strategic goods as follows:

- Export licences of dual-use goods -13;
- Import licences of military goods -40;
- Export licences of military goods -29;
- Transit permissions -11;
- International import certificates – 19;
- End-use certificates -31;

In 2007, altogether 143 documents were issued, incl. 93 special authorizations and 50 end-use control documents. Under licences, goods with the total value surpassing 140 million EEK were exported, imported and transited via Estonia (see Annexes to the statistics).

The Secretariat of the Strategic Goods Commission provided consultation to persons in licensing strategic goods and in including goods in the list for 347 times. In addition, officials of border points and customs points of the Tax and Customs Board in 136 cases turned to regional contact persons dealing with strategic goods to obtain an opinion concerning requests for licences.

#### **2. Entry in the state register or refusal to make an entry in the state register of brokers of military goods**

In 2007, the Strategic Goods Commission received three applications for entry in the state register of brokers of military goods, of which one was refused. In case of one application, the decision making was postponed for the year 2008. As of the end of 2007, three brokers of military goods were entered in the state register of military goods (Musket OÜ, Dolfin Aero OÜ and Fortestar OÜ).

#### **3. Refusal of issuing a licence, certificate or end-use control document**

The Commission in four cases refused applications submitted: in the case of three import licences of military goods and in the case of an international import certificate. In making decisions to refuse, the

Commission built on criteria provided in §§ 7, 16, 25 and 33 of the Strategic Goods Act and in the European Union Code of Conduct on Arms Exports.

#### **4. Offences and failure to comply with international sanctions connected to strategic goods**

In 2007, the Security Police Board in connection with the illicit export or import of goods initiated 16 criminal proceedings under § 392 of the Penal Code (Illicit import and export of prohibited goods or goods requiring a special permit). In the course of the majority of conducted proceedings it was established that the activities discovered had not essentially harmed the security of Estonia as well as of its partner countries and the proceedings were terminated on the basis of expediency considerations by imposing the payment of compensation levies totalling 20,000 - 120,000 EEK. The objects of offences were mainly such goods as spare parts of aircrafts and helicopters, radio navigation devices, night vision devices and radio modems. There was no offence committed by Estonian persons against international sanctions in 2007.

**Annex 1. Value of Goods Imported, Exported and Transited on the Basis of Licences, Countries of Origin and Countries of Destination**

	<b>Definition of goods</b>	<b>Quantity of goods</b>	<b>Origin of goods</b>	<b>Countries of destination</b>	<b>Value of goods</b>
<b>Export: Dual-use goods - 13;</b>	1A004	60,000 running metres 40,000 pieces	EE	CN; RU	140,744.00 EUR
	1C350	820,000 kg	EE	BY; RU	340,000.00 USD 3,750,000.00 EEK
	3A229	3 pieces	EE	TR	940.04 EUR
	6A002	982 pieces	EE	CL; TR; SA; MY	28,334.00 USD 772,730.00 EUR
	6A008	2 pieces	US	US	10,000.00 USD
	9A012	1 piece	CA	CA	0.00 EEK
<b>Transit: military goods</b>	ML3	3,407,00 pieces	IT; CZ; DE	RU; LV	6,227.55 USD 307,936.00 EUR
	ML4	1,300 pieces	GB	LV	37,128.00 GBV
	ML6	63 pieces	SE; US; FI	RU; LT; FI	810,000.00 GBV 1,690,000.00 EUR
	ML10	2 sets	RU	PL	112,560.00 USD
<b>Import: military goods</b>	ML1	33 sets 13 pieces	SE; CH; US; DE; IL; CA	EE	157,999.15 EEK 2,813.45 EUR 523.80 CHF 550.00 USD 21,259.00 SEK

	ML4	1000 kg 320 sets	SE; CH	EE	538,000.00 EEK
	ML6	10 pieces	FI; SE; RU	EE	12,500.00 EUR 81,800.00 EEK 119,000.00 SEK
	ML7	72 pieces	SE	EE	333,000.00 EEK
	ML9	1 piece	FI	EE	12,000.00 EUR
	ML10	104 pieces	UA; CZ; CA;	EE	7,717,480.00 EEK 651,415.00 USD 45,579.00 EUR
	ML11	1 piece	FI	EE	1,640.00 EUR
	ML14	20 sets	US	EE	15,500.00 USD
	ML15	17 pieces 2 sets	CH; US; FR;	EE	238,657.00 EUR 1,249.00 USD 57,819.76 CHF
<b>Export: military goods</b>	EST 5	9 pieces	EE	LV	15,750.00 EUR
	ML1	1,849 pieces	CZ; FI; RU; AT; CH; SE	LV; GE; LT; RU;	20,000.00 EEK 298,289.90 EUR
	ML3	410,000 pieces	RU	PL; LT	51,945.00 EUR
	ML7	50 pairs 55 sets	EE	FR	25,714.50 EUR
	ML10	6 pieces	RU; CZ; UA	RU; UA; AO	3,519,000.00 EUR
	ML14	3 pieces 272 sets	EE	FI; US; CZ; FR; ZA	72,425.00 EUR 150,975.00 USD

	ML15	14 pieces 1 set	CH; FR;	FR; CH	54,100.00 CHF 238,657.00 EUR
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## Annex 2. Issued End-Use Control Documents

	Definition of goods	Quantity of goods	Origin of goods	Countries of destination	Value of goods
<b>End-use certificate</b>	1C350	6,720,000 kg	KZ	EE	3,334,800.00 USD
	6A003	6 pieces	US; FR	EE	543,194.00 EUR
	6A008	1 piece	CZ	EE	3,676,000.00 EUR
	6A203	1 piece	US	EE	78,350.00 EUR
	7A002	1 piece	IL	EE	12,300.00 USD
	7A103	5 pieces	FR	EE	-
	HR2	1 piece	PL	EE	3,271.00 USD
	ML1	738 pieces	IT; GB; FR; FI; CH	EE	523.80 CHF 880,239.75 EUR
	ML3	7,700,000 pieces	BR	EE	4,429,690.98 USD
	ML4	224 sets	GB; FR	EE	26,241,223.00 EUR 2,635,106.00 GBP
	ML5	5 pieces 17 sets	GB; FR	EE	27,491,201.00 EUR
	ML6	5 pieces	GB	EE	385,000.00 EUR
	ML10	60 pieces	CZ	EE	45,579.00 EUR
	ML11	14 pieces	DE	EE	251,245.00 EUR
	ML21	12 pieces	AU; US	EE	180,000.00 AUD 51,230.00 USD
	N/A*	1 piece	DE	EE	111,820.00 EUR

<b>International import certificate</b>	ML1	3 sets 140,227 pieces	CZ; LV; SE; RS; LT; US	EE	376,850.00 EEK 21,259.00 SEK 523.80 CHF 104,935.70 EUR
	ML3	3,270,000 pieces	LV; LT; FI;	EE	3,600,000.00 EEK 172,234.10 EUR
	ML10	19 pieces	CZ; UA	EE	19,621.00 EUR 349,000.00 USD
	N/A*	800,000 m 200 pieces	RU; NL	EE	120,400.00 EUR

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\*The said goods do not fall within any category of strategic goods list, but at the request of the vendor company the end-use certificate and the international import certificate were issued.