

STRATEGIC GOODS COMMISSION ACTIVITY REPORT 2008

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

I Overview of the developments in international export control cooperation and the activity of the strategic goods commission in 2008.

The goal of the international export control regimes of strategic goods is to guarantee peace and security via surveillance of the supply of military 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 of the weapons of mass destruction.

Estonia currently belongs to three export control regimes. These are the Wassenaar Arrangement, the Nuclear Supplier's Group and the Australia Group. In 2008, Estonia participated in the regular meetings of the General Working Group, Expert Group and in the Plenary as well as of security and intelligence experts of the Wassenaar Arrangement in Vienna, in the meetings of the consultative committee of the Nuclear Supplier's Group in Vienna and in its Plenary in Germany and in the Plenary of the Australia Group in Paris. Similarly to the previous years, the countries participating in the Missile Technology Control Regime failed to achieve consensus as to including new members (besides Estonia seven other EU member states are waiting for the member status) in 2008 as well and for that reason Estonia's accession to this organization is being postponed for the future. Estonia itself has fulfilled the criteria for membership.

In 2008, several compendiums of best practices concerning licensing and the enhancement of strategic goods control as well as other relevant documents in the field were adopted in international export control regimes. In order to implement in Estonia the control measures contained in these documents, the Strategic Goods Commission has already taken concrete steps. In the regimes, the lists of strategic goods were also supplemented and the modifications included therein were transferred into the European Union control lists. The European Union common list of dual-use items and the list of goods, which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment, are directly applicable to Estonia. The bringing of the list of military goods of the Republic of Estonia into conformity with the supplements made in the Common Military List of the European Union in 2008 is ongoing at the moment.

The representatives of the Strategic Goods Commission also actively participated in the work of the European Union's working groups (working group for export controls on conventional arms (COARM) and working group for dual-use goods (WPDUG)) for a total of 14 times. In addition to working groups directly concerned with export control issues, the members of the Commission representing the Ministry of Foreign Affairs also participated in five special sessions of the EU working group for economic competitiveness and growth (COMPET), which discussed enhancing the efficiency of the EU defence industry and wording of the Directive to facilitate the intra-community transfer of defence goods. The negotiations for the Directive were successfully concluded in 2008.

Due to limited human and financial resources, representatives of the Commission did not participate at the international Proliferation Security Initiative (PSI) trainings in 2008. Participation in the trainings was also prevented by geographical distance of the training place.

The Strategic Goods Commission has always considered it important to promote trainings related to the issues of strategic goods both among the customers of the Commission (undertakings, scientific and study circles) as well as member organisations of the Commission and among administrative agencies supporting its work. 3 trainings were organised for customs officials in the field of strategic goods in 2008. In June 2008, a training for training providers was carried out in cooperation between the Public Service Academy and the United States Department of Energy, which gave an overview of the dual-use goods used in missile technology, nuclear technology, biotechnology and manufacturing of chemical weapons.

Due to amendments to the Strategic Goods Act expected in 2009, no large-scale training seminars were carried out for business, research and study circles in 2008. However, the Commission used every possibility to disseminate knowledge related to strategic goods control. For example, an exhibition introducing the field of national defence and military equipment and goods was attended in Tartu in September 2008 for the aforementioned purpose.

In 2008, officials of the Tax and Customs Board (TCB), together with the representatives of other agencies who are members of the Commission, visited a total of seven companies dealing with strategic goods. The aim of the visit was to introduce legal acts governing this field and organisation of work of the customs administration in order to raise the awareness and compliance with law of the companies in the specified field.

In November 2008, a joint training exercise was conducted in Koidula Customs Office in cooperation with the Security Police, Border Guard, Radiation Centre and Rescue Board, the aim of which was to practice cooperation in the event of finding an unknown radiation source at the external border of Estonia. As a result of an analysis of this joint training, instructions will be prepared in 2009, which will define the roles of all agencies on the border in future situations where goods involving a radiation hazard arrive at the border. In 2009, at least one joint training will be carried out on the basis of new instructions.

In 2008, an analysis of the export and import of military goods was completed in the TCB, which serves as a basis for customs inspection activities in order to detect military goods moving without licence. In addition, at the beginning of 2008 the TCB sent a memorandum to all companies which, as far as is known, are dealing with strategic goods in Estonia in order to remind them that according to Section 5¹ of the Strategic Goods Act, companies have the obligation to inform the customs authorities of the movement of strategic goods between EU Member States at least twenty four hours before conveyance of the goods over the state border of Estonia. As a result of the memorandum, the number of notices submitted to the customs authorities has increased to 115 in 2008; by comparison, the data of 2007 included 25 notices submitted to the customs authorities.

The Strategic Goods Commission uses all ordinary means of communication for in-house communication. A special program called Tracker is used for the licensing procedure. In addition to daily communication through electronic information channels, 18 virtual meetings, 3 regular meetings with physical participation and 2 extraordinary meetings took place in 2008.

II Measures for enhancing strategic goods control in 2009

In 2009, the Strategic Goods Commission has planned a variety of activities to enhance and to render more effective the strategic goods control in Estonia as well as to improve the inner organization of work of the Strategic Goods Commission. Such activities include inter alia the following:

- updating the lists of strategic goods, in order to bring these into compliance with the amendments made to the lists of control regimes;
- renewal of the Strategic Goods Act in order to bring it into accordance with developments having taken place since 2004 in the field of international export control and to eliminate gaps as well as ambiguities contained in the Act;
- making proposals for amendment of the Penal Code, in order to bring the punishments to be imposed for the offences related to strategic goods into conformity with harmfulness of these offences and international practice;
- organisation of the seminar about the strategic goods control to the prosecutors and other instances involved in administration of justice, in order to enhance their knowledge of strategic goods control and international security environment and to improve the quality of decisions (which was postponed from 2008 to 2009 in connection with the plan to amend the Penal Code);
- 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;
- similarly to the events in 2008, in 2009 it is planned to organise again in the Public Service Academy a training about the weapons of mass destruction, their components and identification of the technology necessary for their manufacturing to the officials of the Tax and Customs Board (TCB) and other officials involved in the strategic goods control and the training providers are the officials of the TCB, the Ministry of Foreign Affairs, the Security Police and the Radiation Centre, who have been trained by the training providers from the USA. In co-operation with the US governmental bodies, it is planned to launch in the Public Service Academy since the autumn term of 2009 the Master's study programme covering the strategic goods control;
- in case of interest shown by the press, publishing of the articles introducing the field;
- in case of existence of technical means and financial resources, introduction of electronic licensing programme.

From among the Commission members performing state supervision the Security Police Board in 2009 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 2009 plans to continue exercising supervision over military and dual-use goods and end-users, paying more attention than before to the identification of illicit transportation of components of firearms.

In 2009, the Tax and Customs Board plans to continue the tradition of visiting the companies dealing with strategic goods making both first and repeated visits. Such visits enable to keep dialogue with the companies and draw their attention to the legislation and potential problems in the field. In 2009, also the analysis on export and import of dual-use goods will continue. More attention will be drawn to the analysis on possible cross-border movement of starting materials of chemical weapon.

III Statistics of the Activity of the Strategic Goods Commission of 2008

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 authorisations and end-use control documents for strategic goods as follows:

- export licences of dual-use goods - 15;
- import licences of military goods – 50;
- export licences of military goods - 23;
- transit permissions – 12;
- international import certificates - 12;
- end-use certificates - 49.

In 2008, altogether 161 documents were issued, incl. 100 special authorizations and 61 end-use control documents. Under licences, goods with the total value surpassing 469 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 235 times. In addition, officials of the Tax and Customs Board turned to regional contact persons dealing with strategic goods to obtain an opinion whether the goods belong to the category of strategic goods and need a license or not for 388 times, which is 3 times more than in 2007, when the respective number was 136. Increased number of consultations indicates the growth of awareness and activity of the customs officials regarding the field of strategic goods control.

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

In 2008, the Strategic Goods Commission received two applications for entry in the state register of brokers of military goods, of which one was approved. In case of one application, the decision making was postponed for the year 2009. As of the end of 2008, four brokers were entered in the state register of military goods (Musket OÜ, Dolfin Aero OÜ, Fortestar OÜ and Stratlink OÜ).

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

The Commission in one case refused the applications submitted. In making decisions to refuse, the Commission built on criteria provided in §§ 7, 16 of the Strategic Goods Act and in the criteria provided by the European Union Code of Conduct on Arms Exports.

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

In 2008, the TCB discovered 15 violations in the field of strategic goods that were related to the transportation of goods without license or failure to submit a notice on movement of goods inside the EU. Number of violations increased by 3 cases compared to the year 2007. The Security Police Board in connection with the illicit export or import of goods initiated 11 criminal proceedings under § 392 of the Penal Code (illicit import and export of prohibited goods or goods requiring a special permit).

Illegal import, export or transit of strategic goods was discovered with regard to the following strategic goods: spare parts of aircrafts and helicopters, armoured personnel carriers, components of automatic firearms, military pyrotechnic products, radio navigation devices, electric shock weapons, night vision devices, optical sight, night vision binoculars and metal detector.

Taking into consideration the fact that the guilt of the offenders was not big and the activities discovered did not damage essentially the security of Estonia and its partner countries, the prosecutor's office considered it possible to guarantee further obedience to law of the offenders without imposing punishment on them pursuant to criminal procedure and terminated criminal proceedings related to them due to the lack of public interest towards legislative proceeding, but the offenders had to pay to the public revenues total amount of EEK 403,500. The smallest amount paid was EEK 1,500 and the biggest amount was EEK 200,000. There was no offence committed by Estonian persons against international sanctions in 2008.

**Annex 1. Value of goods imported, exported or transited on the basis of licences;
countries of origin and countries of destination**

Type of transaction	Definition of goods	Quantity of goods	Origin of goods	Country of destination	Value of goods
Export:	1C350	351 000 kg	EE	BY; NA; RU	26 680 EEK
Dual-use goods					122 030 EUR
					289 700 USD
	9A012	3 pieces	CA	CA	15 CAD
	1A004	17 350 pieces	EE; CZ	CN; RU; UA	135 659,47 EUR
		63 286 jm			760 USD
					272 250 RUB
	6A002	75 pieces	EE	CL; MC; MY	28 972 EUR
Export:	ML 1	307 pieces	EE; IT	FI; RU	34 000 EEK
Military goods					230 074,99 EUR
	ML 4	432 018 pieces	EE	CA; GB; LV; MY;	11 560 038 EEK
				OM	361 746 EUR
	ML 6	8091 pieces	GB	FI	461 187 EUR
	ML 7	97 sets	EE	DE	11 506,60 EUR
		30 pieces			
	ML 10	2 sets	CZ; RU; UA	AO; EE; CZ; LV	3 419 960 EUR
		32 pieces			202 800 USD
	ML 14	47 sets	EE	FI; FR; GE; US;	79 760 EUR
		44 pieces		ZA	18 900 USD
Import:	ML 1	14 sets	DE; IL; US	EE	15 700 EEK
Military goods		39 pieces			7 206,75 EUR
					115,33 USD
	ML 4	1 550 kg	SE	EE	435 179 EEK
					20 000 SEK
	ML 6	7 365 pieces	GB; RU; SE	EE	50 000 EEK
					449 109 EUR

					105 000 SEK
	ML 7	5 sets	DE	EE	804 657,05 EEK
		151 pieces			
	ML 10	4 sets	CA; CZ; RU; SE;	EE	71 500,5 EUR
		217 pieces	UA		668 495 USD
		15 m			
	ML 11	3 sets	CA; FI; US	EE	1 640 EUR
		3 pieces			58 624 USD
	ML 13	17 pieces	GB	EE	66 300 EEK
	ML 14	7 308 pieces	EE; FI	EE	0 EEK
	ML 15	90 sets	CA; CH; SE; US	EE	274 232 EEK
		9 pieces			427 085 EUR
					7 269,95 USD
					84 081 CHF
	EST 7	40 pieces	GB; US	EE	652,50 USD
					2 268 GBP
Transit	ML 4	1 pieces	RU	LV	19 200 RUB
	ML 6	131 pieces	SE; RU	RU	23 200 USD
					759 118,1 SEK
	ML 10	1 sets	RU; UA	LT; PL; UA	63,09 EUR
		2 pieces			93 060 USD
	1C002	3465 kgs	US	RU	158 192,43 EUR

Annex 2. End-use control documents issued

Type of end-use control documents	Definition of goods	Quantity of goods	Origin of goods	Value of goods
End-user Certificate (EUC)	ML 1	2 sets	DE; FI; IL; NO; TR;	9 400 EEK
		5 893 pieces	US	80 490,63 EUR
				63 480 USD
				220 064 NOK
	ML 2	2 882 sets	CH; DE; GB; FI; SE	6 965,5 EUR
				3 427 009 SEK
				6 000 000 CHF
	ML 3	11 500 000 pieces	BR	6 258 557,04 USD
	ML 4	614 pieces	DE; FR	2 703 395,65 EUR
	ML 5	5 sets	GB; IL; PL; US	178 480 EUR
		52 pieces		823 522 USD
	ML 6	1 pieces	FI	0 EEK
	ML 7	5 sets	DE	829 324,55 EEK
		151 pieces		
	ML 9	2 pieces	US	970 071 EUR
ML 10	257 pieces	CZ; UA	458 780 EUR	
			83 910 USD	
ML 11	399 sets	DE; HR; IT; US	1 577 961 EUR	
	362 pieces		4 885 031,7 USD	
ML 14	4 pieces	NO	226 106 NOK	
ML 15	3 pieces	FR	47 000 USD	
6A003	1 pieces	US	490 694 EUR	
6A203	1 pieces	US	78 350 EUR	
7D003	10 years	US	10 000 USD	
International Import Certificate (IIC)	ML 1	2 sets	US	9 400 EEK
	ML 2	1 050 pieces	GB;	6 965,5 EUR
	ML 7	5 sets	DE	829 324,55 EEK

		151 pieces		
	ML 10	3 pieces	UA	92 000 USD
	N/A*	4 554 570 pieces	CZ; RS; RU; UA; US	1 635 105 EUR
		1 900 000 m		35 157,5 USD
Delivery Verification Certificate (DVC)	ML 10	2 pieces	UA	86 500 USD

* - The specified goods do not belong to any category of the strategic goods list; however, the End User Certificate and International Import Certificate were issued at the request of the seller company.