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Agenda Item: 3

Chair's Summary – 11th Secure Trade in APEC Region Conference, 20-21 October 2020

Purpose: Information
Submitted by: CTWG Chair, Malaysia



**17th Counter-Terrorism Working Group
Meeting
27 February 2021**

Chair's Summary
XI STAR Conference
20-21 October 2020, via Video Conference
Presented by Counter-Terrorism Working Group (CTWG) Chair
In collaboration with Strategic Trade Secretariat, Ministry of International Trade and Industry
(STS, MITI)

The 11th Secure Trade in APEC Region (STAR XI) Conference was successfully organised at the Perdana Hall, MITI Tower, Kuala Lumpur from 20 – 21 October 2020. STAR XI was held as part of Malaysia's hosting of APEC 2020 through collaboration between the APEC-Counter-terrorism Working Group (CTWG), Strategic Trade Secretariat, Ministry of International Trade and Industry (STS, MITI) with the support and funding by the US Department of State, Export Control and Related Border Security Program (EXBS). The conference was held virtually utilising the APEC-approved platform of GoToMeeting and GoToWebinar. Some local speakers and moderators were present together with the organisers at Perdana Hall, MITI making the hybrid event a success.

The theme of the STAR XI conference was 'Counter-terrorism and Safe Trade Strategy: Balancing Trade Security and Trade Facilitation in the APEC Region'. The aim of the conference is to share the risks of terrorism, reinforce the importance of establishing security trade controls and recognise the role of trade facilitation in the implementation of strategic trade controls. The programme is in line with APEC's role in helping to protect the region's economic systems from disruption as well as CTWG's mission to promote the security and resilience of regional supply chains. It serves as a platform for a thematic discussion on cross-cutting issues associated with counter-terrorism and secure trade in the region.

The Welcoming Remarks was presented by Mr. Kennedy Mayong Onon, APEC CTWG Chair while the Opening Remarks was delivered by Mr. Hairil Yahri Yaacob, APEC Senior Officials Meeting (SOM) Chair who is also the Deputy Secretary-General (Trade), MITI.

The conference was attended by representatives related to Strategic Trade Control (STC) implementation from various Government Agencies of Malaysia, Singapore and the United States; representatives from APEC Subcommittee on Customs Procedures (SCCP); industries representatives and non-proliferation organisations. Speakers and moderators comprised a combination of local and international experts that were carefully chosen from parties that have vast experience in implementing STC and counter-terrorism measures. On average, there were about 340 registered participants for the 2 day conference.

The agenda of the conference was developed to highlight the non-proliferation measures institutionalised complementing counter-terrorism efforts. The conference began with the broad coverage of counter-terrorism followed by non-proliferation measures through STC, encompassing experience sharing by both public and private sectors. The agenda also incorporates current subjects related to supply chain challenges faced during the Covid-19 pandemic.

Session 1: Counterterrorism and Secure Trade Strategy

Mr. Zahid Rastam from the Ministry of Foreign Affairs, Malaysia deliberated on Malaysia's commitments under the establishment of the APEC Counter-terrorism Working Group (CTWG) in 2013, the emergence of non-state actors and the importance of having an export control mechanism to curb proliferators. The speaker discussed the obligation under UNSCR 1540 which affirms that the proliferation of nuclear, chemical and biological weapons and their means of delivery constitutes a threat to international peace and security, as well as, under other related resolution/treaty/convention such as UNGA Resolution 60/88. On the nexus between CT and non-proliferation of WMD, Mr. Zahid stated that currently at the international level, various instruments such as CT, IAEA, ICAO and IMO conventions are set up with the purpose to deter the issues at hand. It is critical to be a step ahead from the non-state actor on how they manage to acquire or develop their capability in the latest WMD items and technology. In conclusion, it was mentioned that the APEC platform can be utilised to form policies and addressing WMD threats.

Senior Assistant Commissioner of Police (SAC) Azman Omar from the Royal Malaysia Police (RMP), Ministry of Home Affairs, Malaysia shared Malaysia's experience in CT. The speaker mentioned that RMP currently uses a spearhead approach, ie; the hard and soft approaches in managing CT threats domestically by utilising the Legal Acts that include SOSMA 2012, Malaysia Penal Code 1976, POTTA 2015, POCA 1959, SMATA 2015 and AMLATFUA 2000.

Ms. Zhang Hongliu from the Group of Experts supporting the 1540 Committee presented the topic of International Obligations to Secure Trade and Prevent Proliferation. The presenter cited that the proliferation of nuclear, chemical, biological weapons, as well as their means of delivery, created a threat to international peace and security. For that, a binding instrument that addresses the threat posed by non-state actors, including terrorists, of acquiring WMD, their means of delivery, or related materials is essential. All states must comply irrespective of their status regarding multilateral WMD-related treaties (NPT, CWC and BWC) and focus on cooperative approach of non-proliferation. OP3 of UNSCR 1540 specifies with relation to border and export controls, States have to establish or review their national export control or strategic trade management systems. UNSCR 1540 acknowledges that several related activities need to be controlled as well such as on transits, trans-shipments, brokering, services, etc. UNSCR 1540 also recognises the utility of national control lists and encourages States to reach out to industry. The speaker also shared three key elements of effective export control systems which are legislation (including penalties for violations), enforcement capacity and Industry-Government relations.

Stand Alone Session (Day 1)

Ms. Suhanna Omar, Deputy Director, Strategy and Policy, Financial Intelligence and Enforcement Department (FIED), Central Bank Malaysia presented the topic of International Framework Addressing the Diversity of Proliferation Finance Threats. The speaker cited that Malaysia has a comprehensive Targeted Financial Sanctions on Proliferation Financing (TFS–PF) legal framework and is in full compliance with FATF Recommendation 7. Many improvements were made such as laws were amended to allow direct adoption of the UNSCR List and improved inter-agency cooperation and coordination. The Policy Document for Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions and Designated Non-Financial Business and Professions and Non-Bank Financial Institutions further sets out the TFS requirements for reporting institutions to implement screening compliance, asset freezing & prohibition of financial and reporting requirement. Numerous platforms and mechanisms enable prompt information sharing, effective detection and investigation of PF activities such as the Strategic Trade Action Committee (STAC), National Coordination Committee (NCC) and Malaysian Financial Intelligence Network (Myfinet). Moving forward, Malaysia could work on potential amendment to Recommendation 1 and its interpretive notes and take necessary efforts to understand and combat PF risk in Malaysia.

Session 2: Strategic Trade Control in the APEC Region

Mr. Juan Pablo Rosso Streeter from the Directorate of International and Human Security, Ministry of Foreign Affairs, Chile presented on the Survey on Legal and Regulatory Frameworks and Good Practices on Strategic Trade Controls. The survey's objectives were to diagnose the strengths and weaknesses of APEC economies in strategic trade management as well as identifying areas for cooperation and capacity building. The main finding of the survey was that every APEC economy surveyed is a member of an export control regime, has ratified international non-proliferation treaties and conventions, or has voluntarily abided by the norms and spirit of these instruments. Adding to that, the existence of a broad array of international and interagency cooperation mechanisms serves as one of the strengths amongst economies where international cooperation is mostly multilateral cooperation. In summary, critical capabilities in physical/transport security of biological materials, counter-terrorism financing and proliferation finance controls, as well as, CIT/WMD training for frontline law enforcement agencies need to be enhanced accordingly. In addition, cooperation from all economies is crucial to provide a more secure environment as well as generating more and better opportunities for trade facilitation.

Ms. Ellyza Mastura, Deputy Strategic Trade Controller, Strategic Trade Secretariat (STS), Ministry of International Trade and Industry, Malaysia shared her presentation on the Secure Trade Strategy and Strategic Trade Controls in Malaysia: Overview, Challenges and Trade Facilitation of Strategic Trade Act 2010 (STA 2010). The speaker mentioned that the key drivers of Malaysia's Strategic Trade Act 2010 which includes the country's commitment under UNSCR 1540 that requires member countries to establish an export control system for the purpose of non-proliferation of weapons of mass destruction. The strategic trade control added a competitive advantage to Malaysia as an attractive investment destination. In terms of challenges, building a trade compliance culture across the supply chain is vital which requires wider awareness on domestic law, international cooperation as well as regional support. The speaker concluded that collaboration and cooperation from both the authority and stakeholders to embrace shared responsibility managing trade security is key to manage and overcome the said challenges.

Session 3: Supply Chain Security and Risk Management

Mr. Raymond Yee Woon Ming, Vice President Customs & Regulatory Affairs, DHL Express Asia Pacific, Singapore presented on the Overview of Supply Chain Security and Risk Management. The speaker discussed DHL's Supply Chain Security that gives great emphasis on two main spectrums. DHL divided risk evaluation into two (2) categories i.e. (i) what's outside the box - getting a shipment from point to point in a secure manner without infiltration; and (ii) what's inside the box - preventing illicit materials from being shipped that could jeopardize safety and security. To conclude, the speaker reiterated that companies may manage the risk of supply chain security by having better tracking, pre-screening of items/staff and employees and continuous training and utilisation of technology in daily operations.

Mr. Ankur Huria, Senior Private Sector Development Specialist, Trade Logistics & Supply Chain, World Bank Group presented on the topic of Lessons Learned from the COVID-19 Pandemic: How to Manage Global Supply Chain from the Disruption. The presenter explained the impact on international trade with historical falls of 3% and 18.5% on the first and second quarters of 2020 for world trade which mostly affected the maritime and logistic activities. The trade carrying capacity is currently 1.3% higher than last year, suggesting that global merchandise trade activity has largely recovered from the COVID-induced contraction. Adding to that, the trade data through July 2020 also indicate recovery, with exports and imports growing on average by 5% compared to June 2020. Following on these results, private sectors are encouraged to increasingly focus on resiliency and disruption by reviewing supply chains in their entirety - in terms of improving visibility; sourcing on logistics alternatives; improve supply chain planning; and identifying and focusing on high risks in supply chains including those related to security. The speaker urged the Government to coordinate better border management; managing robust risk management; compliance and risk continuum; and managing the trading of dual-use goods in preventing any proliferation activities. With regards to dual-use goods, balancing trade facilitation and customs control is needed as the indiscriminate stopping of such export will have negative impacts on legitimate commercial activities.

Mr. Kenneth J. Rochford, Special Agent-Program Manager, National Intellectual Property Rights Coordination Center, Homeland Security Investigations, U.S.A presented the topic of COVID-19 Exploitation and its Effects on the Integrity of the Medical Supply Chain. The presenter started the presentation by citing that criminal networks are exploiting the COVID-19 pandemic for illegal financial gain by smuggling and selling counterfeit safety equipment, medical devices, unapproved testing kits, medicines, and hygiene products. Illicit websites are flooding the online market with fake goods and defrauding consumers. HSI's way forward is to continue to support the domestic and international law enforcement efforts by enhancing collaboration to identify new and emerging threats with coordinated outreach and training to both public and private sectors.

Stand Alone Session (Day 2)

Mr. Mark Lin, Assistant Head, Trade Strategy and Security Branch, Singapore Customs presented the topic on Singapore's Journey in Implementing Strategic Trade Control System: Success and Challenges. The speaker focused on the permit requirements for listed goods and technology in the Strategic Goods (Control) Order comprising of individual, bulk, brokering and ITT permit. To ensure compliance, the speaker reiterated the importance of outreach to the industries, encouraging traders to

exercise due diligence in consistently supporting the Government initiative to curb WMD proliferation. He also pointed out that Outreach initiatives enable Singapore Customs to focus their attention on the less compliant companies. In conclusion, the speaker emphasised the importance of having different modes of outreach and to keep up with the international development on STC.

Session 4: Collaborating to a Secure Trade in the APEC Region

Dr. Crystal Pryor, Director of Non-proliferation, Technology, and Fellowships, Pacific Forum, U.S.A. presented on Regional Harmonisation of Strategic Trade Control and its Potential to a More Secure Trade in the APEC Region. The speaker mentioned three (3) problem statements for STC implementation i.e. (i) the concern of South East Asia policymakers about the costs of implementing STCs; (ii) lack of data on founding of STC including quantitative economic data; and (iii) lack of qualitative data on effects to SMEs. It is visible that the rate of STC implementation in the region is slow. By analysing the trade data (STC database) and evaluating the progress and underlying motivations of STC implementation in SEA (esp. Philippines & Thailand), results of quantitative analysis show STC systems have a remarkably positive impact, both on import and export values; SMEs perceive high costs to complying with STCs; and foreign entities prefer to export to or invest in countries with STC in place.

Mr. Yasushi Tagami, Deputy General Manager (International Affairs), Research Department & Director of Center for International Cooperation on Security Export Control, Center for Information on Security Export Trade Control (CISTEC), Japan presented the topic on the Private Sector Role in Partnering with the Government to an Effective Strategic Trade Management System. He explained that CISTEC main mission is to contribute towards world peace and security. CISTEC serves as the linkage/cooperation channel amongst industries, Government and Academia for security export control. This includes the cross-industry liaison for collecting opinions, forming consensus, enhancing the level of self-control of exporting companies, accumulating a high degree of professional expertise and conducting outreach. On the services to industries, CISTEC provides seminars and training, certification programme, classification assistance, consultation and audit (Internal System Assistance Service). To conclude, the presenter mentioned the ICP model by CISTEC as a successful mutual cooperation between private and Government.

Mr. Nantha Kumar Govindasamy, Director, International Trade Policy (Asia Pacific), Intel Microelectronics (M) Sdn. Bhd., Malaysia presented the topic of the importance of Public-Private Partnership (PPP) to Enhance Trade Security and Investors' Confidence in the APEC Region. The presenter mentioned Intel's International Trade policy and global objectives which focused on advocating for international trade policies and regulations at all levels of the multilateral trading system, which best position for sustainability and market growth. The presenter believed that PPP could synergise the expertise and resources on technology, people, and skills, make room for improvement to increase transparency for better economic development. With the current emerging technology, bridging the gap between Government's expectations and industries' capabilities is a critical aspect to ponder upon in ensuring trade security and most importantly seamless investment for future benefit.
