

# Engaging Dual-Use Technology Manufacturers through Profit-Oriented Export Controls

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# The Problem of Dual-Use

## ► Industrial/nuclear divide



# Dual-Use Proliferation and its Responses

## ▶ Selected Proliferation Cases

- Pakistan
- Iraq
- Iran
- Libya

## ▶ International Responses

- Nuclear Suppliers Group
- UNSCR 1540
- IAEA Additional Protocol

## ▶ U.S. Dual-Use Export Control Licensing

- Department of Commerce, Bureau of Industry and Security

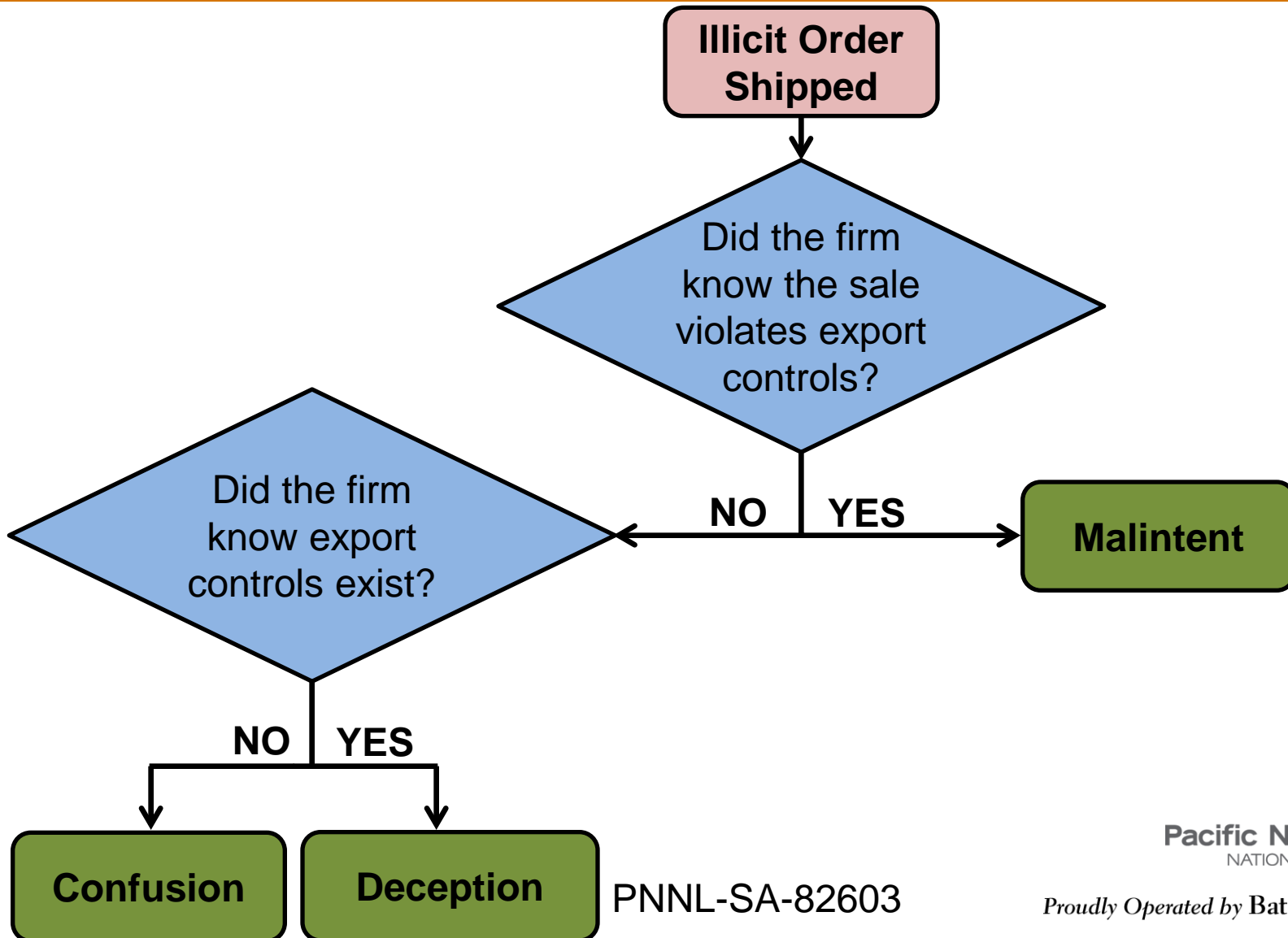


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**“Under what conditions do firms illicitly export dual-use nuclear technology?”**



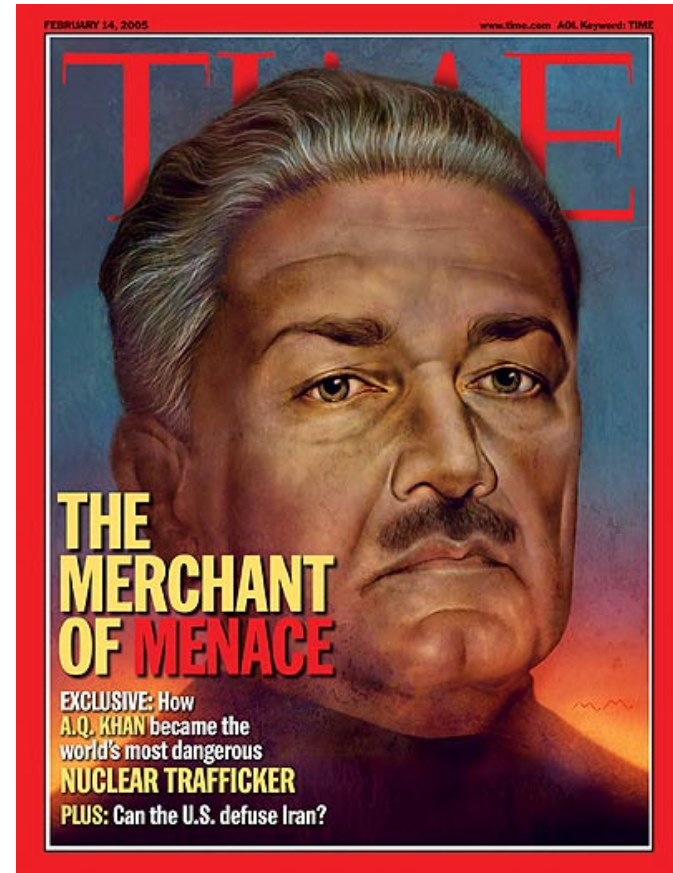
# Intentions of Firms



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# Malintent

- ▶ There are examples of each type of intention
- ▶ These examples are selections from a wider dataset
- ▶ Asher Karni



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# Deception

“You will hardly ever be approached by any of the customers’ representatives explaining to you that there is a military end use”

—*Dr. Andreas Widl, CEO of Oerlikon Leybold Vacuum*

Carnegie International Nuclear Policy Conference, March 28, 2011



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# Confusion

“You must first appreciate that we neither have nor can we afford a squadron of lawyers, engineers, and IT personnel to wade through the regulations and specifications to understand them in the first instance, and then develop comprehensive systems to ensure we comply in the second instance. Of course we do our best to comply, but your regulations, which are only a part of the regulatory regime, run to thousands of pages, including highly technical specifications, dense legalese, multi-level country restrictions, and denied party lists that run to thousands of lines.”

—*Brent Ford, CEO, Rohrback Cosasco Systems*

Record of Public Comments in response to Notice of Inquiry  
Published in the Federal Register: October 6, 2010 (75 FR 61 700)



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# Profit-Oriented Export Controls

- ▶ Classically, firms care about profit, governments care about public goods (non-proliferation)

## **Strategy 1: Encourage firms to instill non-proliferation in their corporate governance**

- ▶ Corporate social responsibility– doing good while doing well
- ▶ Market self-regulation



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# Profit-Oriented Export Controls

## Strategy 2: Leverage financial pressures

- ▶ Malintent
  - Improved industry tipline
  - Strict punishment for willful violations
  
- ▶ Confusion
  - Simplify export controls
  - Increase outreach
  
- ▶ Deception
  - Third-party clearinghouse of suspicious inquiries



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# Conclusion

- ▶ Non-proliferation is in industry's interest
- ▶ Some export control strategies are entirely market-based
- ▶ Government does have a supporting role to play



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