



**Organization for Security and Co-operation in Europe**

**Co-ordinator of OSCE Economic and  
Environmental Activities**

**Vienna, 3 December 2002**

**To:** **All OSCE Delegations  
Partners for Co-operation  
Mediterranean Partners for Co-operation**

**Subject:** Consolidated Summary of the First Preparatory Seminar for  
the Eleventh OSCE Economic Forum, Sofia, 11-12 November 2002

I attach herewith the Consolidated Summary of the First Preparatory Seminar for the Eleventh Economic Forum "National and International Economic Impact of Trafficking in SALW", Sofia, Bulgaria, 11-12 November 2002 to be disseminated to all OSCE Delegations.



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## **CONSOLIDATED SUMMARY**

**FIRST PREPARATORY SEMINAR FOR THE ELEVENTH OSCE ECONOMIC FORUM:  
NATIONAL AND INTERNATIONAL ECONOMIC IMPACT OF TRAFFICKING IN SMALL  
ARMS AND LIGHT WEAPONS**

***SOFIA, BULGARIA, 11-12 NOVEMBER 2002***

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## EXECUTIVE SUMMARY

### Introduction.

The Sofia Seminar, the first that was held in preparation for the Economic Forum in Prague, in May 2003, underpinned the wide ranging economic aspects and impact of trafficking in small arms and light weapons. The event was organised by the Office of the Co-ordinator of OSCE Economic and Environmental Activities in close co-operation with the incoming Chairmanship of the Netherlands, as well as in collaboration with the Bulgarian Ministry of Foreign Affairs and with additional financial support of the American and Norwegian Governments. The topic, “The National and International Economic Impact of Trafficking in Small Arms and Light Weapons” attracted an overwhelming number of participants. Over 150 representatives from 37 OSCE participating States and Partners for Co-operation, 21 International and Non Governmental Organisations and several OSCE Field Offices engaged in the discussions. The seminar was inaugurated by the Bulgarian Minister of Foreign Affairs, Solomon Passy.

Trafficking has become a prominent issue on the international agenda and it affects all OSCE participating States in all its dimensions. Economic perspectives such as the root causes, the links between trafficking networks, financial flows, transportation routes and the impact on the overall national and international economy have not been sufficiently analysed to date.

This seminar was the first of a series of three addressing the topic of trafficking. The following two will be on the economic aspects and impact of trafficking in human beings and in drugs. Like during this first event, the security related and economic aspects will be analysed and discussed also at the two next gatherings in order to prepare the way for concrete recommendations for the Economic Forum in Prague, in May 2003.

### Objectives of the First Preparatory Seminar

The Seminar aimed to complement the work being done in the framework of the OSCE – Forum for Security (FSC), in the awareness that trafficking of small arms and light weapons has a negative, sometimes devastating impact on not only the security but also on the economy of states, businesses and the civil society. Experts from the participating States and many different international organisations and non governmental organisations were invited to present their inside knowledge and explain their views in order to stimulate discussion on the economic angles of this kind of trafficking. Lively discussions led the debate towards concrete recommendations for further consideration by national governments in the Economic Forum and the FSC.

### Structure of the Seminar.

The Seminar was structured around plenary working groups, containing short presentations on a specific subject of trafficking in small arms and light weapons. They covered the whole scope from legislation, production, illicit trade and arms brokering to laundering the profits, the effect on investment climates, tackling the excessive accumulation of small arms and improvement of customs co-operation. Various examples of the impact were given and further illustrated by country case studies. In the discussions delegates, academics and representatives of the international organisations and non governmental organisations freely expressed their views and contributed to formulating recommendations.

### Recommendations

The seminar achieved its objective in shedding new perspectives on the economic aspects and impact of trafficking of small arms and light weapons. The scope of the discussions and the recommendations were presented by the rapporteurs in the closing plenary session. Many useful recommendations were put

forward, some of which can provide valuable input for further discussion and consideration by OSCE Participating States in the Economic Forum in 2003; others can be instrumental to the FSC and will be recommended to their attention:

Recommendations to be considered for the XIth Economic Forum:

- Surpluses should be identified;
- National Programs for the destruction of SALW surplus should be set up and implemented;
- The information on the destruction of SALW should be made publicly available;
- Raise awareness among OSCE participating States that networks involved in the different forms of trafficking (human beings, drugs, small arms) are often interlinked;
- Participating States should co-ordinate their efforts to combat trafficking. The OSCE has an important role to play assisting in that (a.o. by the training of border control and customs officials, or by offering assistance in regulating trans-border financial transactions);
- Participating States are advised to develop stricter legislation on corruption, bank and wire fraud and to promote transparency and information sharing;
- Raise awareness on the role of arms brokers;
- Work towards an internationally standardised definition of brokering (including adjustment of laws and regulations);
- Improve monitoring of the SALW industry and cash flows concerned;
- Increase co-operation in export control, border control and customs;
- Increase research into the economic benefits and the costs of weapons collection and destruction schemes;
- Further assess the impact of trafficking on the economies of the OSCE participating States, including the impact on foreign direct investment;
- Develop further strategies on economic alternatives to arms production;
- Carry out more research on programs such as weapons in exchange for development in order to determine the real economic benefit;
- Assist governments in establishing adequate export control policies on SALW;
- Participating States are advised to implement the Financial Action Task Force (FATF) 40 recommendations on Money Laundering;
- Participating States are recommended to examine whether existing financial and transportation regulations suffice to detect and prevent trafficking in SALW. Ways should be found to strengthen financial and banking systems in order to prevent illicit trade being serviced by banks and transport companies.

Recommendations that will be conveyed to the FSC for further discussion included:

- The call upon the national governments to ratify the UN Firearms Protocol;
- The call upon the national governments to improve export controls on licensed production and to harmonise and improve the system of end-user certificates;
- Facilitate further the implementation of the OSCE SALW Document a.o. by suggesting to the Conflict Prevention Centre to provide an evaluation of the second information exchange;
- Strengthen the efforts for safe storage and destruction of arms. The Best Practices Handbook –which is currently being drafted and will provide insight in the best practices on a range of elements from the OSCE SALW Document- can be used as an example;
- Increase attention for the destruction of ammunition;
- Develop shared understanding of illicit arms brokering and illicit brokering activities;
- OSCE Participating States should aim for an agreement on the elements of model regulation to control brokering activities. The Chapter on brokering of the OSCE Best Practices handbook could be exploited in this effort;
- Participating States could share information about suspect brokers and end-users.

A number of annexes has been attached to complete your picture of the First Preparatory Seminar. For further reading, please note that background documents from this seminar can be found on the OSCE web site under [www.osce.org/eea](http://www.osce.org/eea) or requested at the Office of the Co-ordinator of OSCE Economic and Environmental Activities.

## OPENING REMARKS

**by Mr. Marc Baltès, Deputy Co-ordinator of OSCE Economic and Environmental Activities,  
Chairperson of the Opening Plenary Session**

Minister Passy,  
Excellencies,  
Ladies and Gentlemen,  
Distinguished colleagues and guests,

I would like to welcome all of you to the first preparatory seminar for the Eleventh OSCE Economic Forum. First of all I would like to thank the Government of Bulgaria, and in particular Minister Passy, for hosting this important event. It is an honour for me to be a part of this meeting and, as Deputy Co-ordinator, and I would like to apologize that our esteemed Co-ordinator, Mr. Swiecicki, who had planned to be with us this morning, unfortunately can't make it due to a *cas de force majeure*. He will join us later today. I would also like to thank Ambassador Silva, representative of the Portuguese Chairmanship to be with us today. And I would like to thank very much the incoming Dutch Chairmanship, and in particular Ambassador Everts and his team, for the excellent co-operation in organizing this event, and we are looking forward to ongoing co-operation in the preparation of the 11<sup>th</sup> Forum. I am also very pleased that an unprecedented number of OSCE delegations attend this preparatory seminar, as well as a number of OSCE field presences. I welcome representatives of International Organizations as well as NGO's, who are the indispensable link to civil society and thus a strategic partner in all our endeavours.

The topic of our seminar is of greatest relevance for OSCE work and we do believe that through analysing and discussing the economic impact of trafficking in small arms and light weapons, this meeting will result in highly valuable recommendations for the Economic Forum.

Every year, the Prague Economic Forum is the main event within the economic and environmental dimension. For 2003 the theme of "Trafficking in Human Beings, Drugs, Small Arms and Light Weapons: National and International Economic Impact" was selected and today's seminar is the first in a row of three. The Second Preparatory Seminar will cover the economic impact of trafficking in human beings, and will be held on 17-18 February 2003 in Ioannina, Greece.

The Third Preparatory Seminar will be on the economic impact of trafficking in drugs, to be held in March 2003 in Uzbekistan. I do believe that these three meetings will allow us to advance in our work in addressing all three important aspects of trafficking and will thus prepare a highly relevant agenda for the 11<sup>th</sup> Economic Forum.

Without further ado, I have the honour to give the floor to the speakers:

- His Excellency Mister Solomon Passy, the Minister of Foreign Affairs of Bulgaria
- Ambassador Pedro Silva, representing the Portuguese OSCE Chairmanship
- Ambassador Daan Everts, representing the Incoming Netherlands Chairmanship
- Ambassador Leif-Arne Ulland, Special Advisor on Arms and Disarmament of the Norwegian Ministry of Foreign Affairs
- Mr. Peter Batchelor, Director of the Small Arms Survey Project, Graduate Institute of International Studies in Geneva

My special thanks also go to the Bulgarian, Dutch, Norwegian and US delegations for their financial support. The organisation of this seminar would not have been possible without it.

All these contributions have underlined that the trafficking issues that are being dealt with at this seminar have an impact on the comprehensive security of our participating States. Fortunately we are not starting

from scratch. Progress has been made especially where the security dimension is concerned and it has resulted in a number of documents and programmes such as:

- the EU Joint Action on Small Arms (December 1998);
- the OSCE Document on Small Arms and Light Weapons (November 2000);
- the UN Programme of Action and the Firearms Protocol (July 2001) and
- the programme by the Euro-Atlantic Partnership Council (EAPC) which addresses, amongst others, stockpile management and security and surplus weapons destruction.

The economic perspectives, however, such as trafficking networks, financial flows, transportation routes, brokering and the impact on the economy, have not been sufficiently analysed to date and will be discussed as interrelated issues requiring joint action by OSCE states. We have chosen this to be done in Working Groups and it implies that in each of the Working Groups short presentations will introduce the specifics of, for instance the production and illicit trade, the brokering and international co-operation of law enforcers, including customs. These introductions will be complemented by concrete illustrations in country case studies and we do believe that this combination will assure fruitful discussions. Our aim is to highlight the following issues:

- First of all underline the economic aspects of trafficking in Small Arms and Light Weapons;
- Secondly, pursuing concrete recommendations for actions to be taken to improve control over arms brokers and their activities, and further customs co-operation;
- Thirdly, in the process leading up to the Economic Forum in Prague, the seminar aims at recommendations for a joint approach in combating the different kinds of trafficking.

I am confident that we will spend two highly stimulating days together and I am looking forward to our deliberations. I would now like to open the floor for discussion, should any delegation or participant want to make a contribution to this opening session.

I would like to thank all of you for laying out the basic elements which we will have to tackle in our discussions in the Working Groups. I am sure they will guide us towards the expected outcome of our seminar and I look forward to continue our discussions in the Working Groups.

Thank you very much.

## WELCOMING ADDRESS

by **H.E. Dr. Solomon Passy**  
**Minister of Foreign Affairs of the Republic of Bulgaria**

Mr. Chairman,  
Excellencies,  
Ladies and Gentlemen,

It is an honor and a pleasure for me to welcome you today to the First Preparatory Seminar of the 11<sup>th</sup> OSCE Economic Forum about the national and international economic impact of small arms and light weapons trafficking.

Undoubtedly together with the UN and EU, the OSCE is among the organizations, which have contributed the most to the control of small arms and light weapons traffic. The Participating States gave an inspiring example for enhancing the responsibility and transparency in small arms transfers by adopting the OSCE Document on Small Arms and Light Weapons.

In the presence of the Portuguese OSCE Chairmanship, I would like to express my satisfaction with the fruitful cooperation with the OSCE Secretariat and the Netherlands during the organization of this seminar. This sets an excellent course of interaction and is an example of continuity between the 2003 Chairmanship-in-Office and Bulgaria, a candidate for the Chairmanship in 2004.

The tragic humanitarian consequences of the traffic, destabilizing accumulation and use of small arms and light weapons are self-evident. This type of weapons was among the most widely used in all armed conflicts in the last decade causing death and suffering to hundreds of thousands of innocent victims. At the same time, the economic consequences have not been subject to a detailed discussion. It is noteworthy that the OSCE is the first to undertake the task of formulating a multi-faceted approach to addressing this issue. This demonstrates its potential to be among the main international organizations responding adequately to new challenges.

The national and international aspects of the trafficking these weapons have different dimensions and wide socio-economic consequences. These consequences could transform into serious impediments to the development of affected countries and even of whole regions.

Without being exhaustive, I would like to point out some of the main consequences of this problem:

- Firstly, the trafficking of small arms and light weapons fuels armed conflicts. These conflicts inflict suffering and affect a significant part of human resources and consequently the economy. A serious aspect of the problem is big refugee flows, which require considerable resources from the hosting, in most cases neighboring, countries, placing additional financial burden on them.
- The destabilizing accumulation of small arms due to illicit trafficking has a negative effect on the investment climate on a national and regional scale. The perception of a given region or country as unstable is detrimental to the credit rating of the latter. It is not surprising that the credit rating of Bulgaria has been constantly rising lately. This is proof, *inter alia*, of the enhanced stability in Bulgaria and of the very fact that my country has been an exporter of stability.
- Illicit trafficking is a basic form of organized crime, which affects the normal functioning of the society and state. It diverts significant resources of legal financial turnover as well as creates negative phenomena such as corruption and money laundering. This can lead to the criminalization of the economies of certain countries. The trans-border span of traffic channels turns national problems into

regional and international ones. In most cases the illicit trafficking of arms, drugs and human beings are interrelated. This determines the scale of their negative socio-economic consequences.

-- The collection, safe storage and destruction of considerable quantities of small arms and light weapons requires substantial financial and technological resources, which could, otherwise, be channeled to other activities with a positive economic and social effect.

-- In the short-term, the increasing public pressure for limiting the production and trade in small arms has a significant effect on companies manufacturing such items and poses the question of restructuring of their activities.

-- And last but not least, the link between trafficking in small arms and terrorism is so self-evident that it hardly needs to be analyzed.

Bulgaria pays special attention to the issue of trafficking in small arms and light weapons. I take this opportunity to reiterate that the Bulgarian government is strongly committed to a consistent and responsible policy of export controls. The amendments to the Law on Control on Foreign Trade Activity in Arms and Dual-Use Goods and Technologies which entered into force in September this year is a proof of this. Strengthened control on brokers' activity and severe administrative penalties for violators are among the most important amendments.

The first preparatory seminar in Sofia is the stepping-stone for the 11<sup>th</sup> OSCE Economic Forum. As a part of the series of preparatory seminars on the different forms of trafficking – in small arms, drugs and human beings – the Sofia event will contribute to the clarification of their interrelatedness. The ultimate objective is the development of a comprehensive policy of the OSCE for addressing such negative phenomena, and you, dear participants, are entitled to contribute to reaching this objective.

As you all know, Bulgaria is a candidate for the 2004 OSCE Chairmanship. It is my pleasure to reiterate before this highly esteemed forum our strong commitment to this bid and our willingness to do the job properly, if this is the decision in Porto this December.

## **WELCOMING ADDRESS**

**by H.E. Paulo Tiago Jerónimo da Silva,  
Ambassador of Portugal in Sofia and Representative of the Portuguese Chairmanship**

Ladies and Gentlemen,

First and foremost, I would like to welcome, on behalf of the Portuguese Chairmanship, all the participants in this first preparatory Seminar on "National and International impact of trafficking in small arms and light weapons" and thank the Bulgarian authorities for hosting this event.

Allow me to use this opportunity to briefly highlight some of the main initiatives taken by the Portuguese Chairmanship in the Economic and Environmental Dimension:

- First of all, the appointment of the OSCE Economic Co-ordinator, Mr. Martin Swiecicki, as an important means of enhancing the Economic and Environmental Dimension (which undoubtedly represents an important measure to enhance the Economic and Environmental Dimension.
- In addition, during the Portuguese Chairmanship, a strong impetus was given to the activities of the Economic and Environmental Sub-Committee of the Permanent Council. - The theme of the Tenth OSCE Economic Forum - "Co-operation for the sustainable use and protection of the quality of water in the context of the OSCE" also reflects the attention paid by the Portuguese Chairmanship to the Economic and Environmental Dimension. Water constitutes a particularly important subject to be dealt with by the OSCE and its importance has been stressed as a fundamental factor for security and co-operation in the XXI century. The Tenth Economic Forum and the three preparatory seminars which have been held confirmed that sharing information and successful experiences can help us to better identify existing tools to prevent and solve conflicts. The debate on management of water resources allowed us also to confirm its relevance regarding the definition and promotion of economic and environmental policies in the OSCE's area.

I would like to congratulate the incoming Chairmanship for the initiative to address issues related to "National and International impact of trafficking in small arms and light weapons", which has a consequent effect upon security.

The Economic and Environmental Dimension has a clear multidisciplinary nature, which must be always taken in account: only a broad approach allows a proper reflection in the overall aspects of the economic and environmental issues related to security.

We have the deep conviction that the debate on matters as complex and crucial as trafficking and water, in a positive and co-operative spirit, will contribute to strengthening this comprehensive approach to security upon which the OSCE is based.

Thank you for your attention.

## INTRODUCTORY REMARKS

**by H.E. Daan Everts, Head of the OSCE Task Force, Dutch Ministry of Foreign Affairs and Representative of the Incoming Netherlands Chairmanship.**

Mr Chairman, it is a pleasure and an honour to be here, particularly since this event is of more than usual interest to the Netherlands. For two reasons: firstly, this seminar is the first public presentation outside Vienna of the upcoming Dutch chairmanship of the OSCE starting on January 1<sup>st</sup>, and as such gives us a first taste of the awesome tasks ahead. Secondly, the subject matter being of such importance, we expect this seminar to produce much needed impetus for further action in this field of arms control where so much political, human AND economic havoc is inflicted because of lack of adequate, effective policies.

As regards our incoming Chairmanship, I would like to stress, especially towards our Bulgarian hosts, that the Netherlands fully recognize the need for continuity in the work of the OSCE and therefore attach great importance to the Troika formula, which allows successive chairmanships to work together. The Troika is very much present here today: with Bulgaria – the likely Chairman-in-Office in 2004 – providing hospitality and the indispensable logistic support to this seminar; with Portugal serving as the current Chairman-in-Office, and The Netherlands as the incoming Chair. In addition, we have the pleasure of Norway, a former Chairman, being well represented and acting not only as co-sponsor, but also fully involved in shaping the content of this seminar. And, of course, all of us working in close collaboration with the Office of the Co-ordinator of the OSCE Economic and Environmental Activities. In short, Mr. Chairman, this seminar is a joint effort and I am very happy to see that this effort is rewarded by the presence of so many representatives of the OSCE Participating States, as well as key international and non-governmental organisations.

Now, Mr. Chairman, let me get down to business: why is trafficking an issue that we should address urgently? And, first of all, what do we mean with trafficking?

Trafficking is a wide-ranging phenomenon. When we selected ‘trafficking’ as a main theme, we wanted to focus on three sorts of trafficking, and their interrelationship. Firstly, there is trafficking of human beings, a particularly repulsive crime, that has become a rapidly growing scourge of our world, and our time. You may have seen estimates of anywhere between seven hundred thousand and four million people world wide being victims of this new slave trade over the last years. It is a scourge affecting us all in the OSCE region. Secondly, there is the trafficking of drugs, a multi-billion dollar business directly affecting the economies of States, the health of our people and at the same time having a serious destabilising impact on society. And, thirdly, there is the trafficking of small arms and light weapons, the topic of this First Preparatory Seminar, an obvious direct threat to security and stability.

Sticking to the topic of this seminar, small arms, let me briefly mention the impact small arms trafficking makes on societies all over the OSCE area and world-wide. Only a few weeks ago a report in my country, the Netherlands, stated that: “Research shows that between 85,000 and 125,000 illegal fire arms are in circulation in the Netherlands”. And with reference to another country I feel personally close to, Albania, we know of official estimates that 550,000 weapons, 839 million rounds of ammunition and 16 million explosive devices vanished in rioting in 1997, which followed the collapse of the infamous pyramid-schemes. These are just two indications of the presumed magnitude we are talking about. One woman refugee is on record to have said: “Small arms make big holes: holes in bodies and holes in families.” I can add: holes in the economy as well. Not only because it is often the most economically active who are slain by arms, but use of weapons is rampant in economic crimes, affecting production and distribution of finances, goods and services. Equally bad,

if not more abhorrent is the weapons trade, including small arms, that helps to perpetuate conflicts or even outright war. And in many unsettled, post-conflict situations small arms are the tools of crime; robberies, extortion, gang warfare all leading to increased insecurity. In such circumstances the negative economic impact is immediate: potential investors being scared off who would otherwise create much-needed employment. In short, trafficking in small arms poses a major threat to stability and development anywhere and anytime.

Mr Chairman, this seminar is the first of a series of three addressing the topic of trafficking. This seminar will be followed by seminars on Trafficking in Human Beings and in Drugs. In all three cases, the focus of our attention will be on the security and economic related aspects of these three forms of trafficking, and what to do about it. The aim is to amalgamate the findings of the three seminars at the Economic Forum in Prague next year May. And to make concrete recommendations that can help us to deal with this threat to our common security.

Small Arms and Light Weapons are obviously not a new topic in the OSCE. In the Forum for Security Co-operation discussions have been going on for a long time on how to better control and restrict movement of arms in the OSCE region. In this seminar, we would like to focus on the economic impact of trafficking in small arms, as well as trying to get a clear view of the brokering networks. Who or what is bringing demand and supply together in this deathly trade? Are there any recommendations to improve the control on brokering? How can customs services become more efficient? How can border control co-operation be increased? And finally, we should try to gain a better understanding of the criminal networks behind the trafficking and particularly on the overlap between the different kinds of trafficking. In the past criminal investigation and research have focused too exclusively on only one of the three 'commodities' of trafficking. Almost without exception, criminal networks have been one step ahead in exploiting the possibilities of globalisation and new communication technology. Only by gaining a clear insight into the workings of these networks, can this trend be stopped.

Mr. Chairman, I have taken enough of your time. We have to get to work! Let me, therefore, conclude with the exhortation to you all to be focused on concrete measures and action that will effectively help to reduce, if not stop the trafficking in small arms.

## INTRODUCTORY REMARKS

**by Ambassador Leif A. Ulland, Special Advisor on Arms and Disarmament  
Ministry of Foreign Affairs, Oslo, Norway**

Mr. Chairman, Ladies and Gentlemen,

Let me begin by expressing Norway's appreciation for being invited to co-sponsor this important seminar. The south-east, west and north of Europe, Bulgaria, the Netherlands and Norway, have joined forces with the OSCE Secretariat in an ambition to work with you during these two days to address the impact of small arms trafficking and develop recommendations for how to deal with the challenges.

As a response to increasing trafficking and increasingly inter-related trafficking networks governments need to work more closely together. We need to build and strengthen our own networks in a number of areas such as customs and police. We need to learn from each other and discuss strategies and best practices, and agree on concrete steps for preventing and dealing with trafficking. Trafficking is by its nature illegal, but prevention of illegal activities will need to involve measures to control legal activities.

Preventing and combating trafficking in human beings is today on top of our political agenda. The Norwegian Government is in the process of drawing up a national action plan to combat trafficking in women and children for the purpose of sexual exploitation.

There is today ample evidence and documentation of arms supplies to embargoed states, to conflict zones and rebel groups, to criminals and terrorists and to regimes violating human rights. Norway's approach to small arms is based on the conviction that illicit transfer and trafficking of such weapons and their excessive accumulation and uncontrolled circulation, have a number of devastating consequences, from humanitarian to socio-economic and economic. The high number of casualties and serious humanitarian consequences are of course primary concerns. But it is clear that the problems we face are complex and multi-faceted. They also relate to economic opportunities and investment climate, the size of our health bills, or the temptation for countries with economic difficulties to earn money by selling surplus weapon stocks without a proper safety net.

We need a comprehensive strategy that addresses the national, regional and global levels, the supply and demand side, the security as well as the development side, and economic aspects. This is an area where states themselves are often the main actors and responsible for proliferation. That is why we do not only need national measures and controls, but effective international co-operation to set norms and standards for acceptable behaviour.

The good news is that increasingly governments and regional and international institutions are dealing with the problems. That is why we are here today. At the national level more and more governments adopt legislation and other measures aimed at better control. There are encouraging developments at the regional level, in particular in the OSCE area and Europe, in Africa and Latin America. The commitments in the UN Programme of Action on Small Arms constitute valuable first steps on the long way to effective international oversight and agreed norms and standards.

Civil society groups are doing impressive work to assist governments, and are our valuable partners. Let me pay tribute to the important work on small arms trafficking by some of those represented here today: the Small Arms Survey for authoritative and groundbreaking work in the two first editions of the "Small Arms Survey", the investigative work done by the Norwegian Peace Research Institute and The Norwegian Initiative on Small Arms Transfers (PRIO and NISAT) and published in books such as "The Arms Fixers" and "Running Guns", Saferworld and BASIC for their important policy analysis and

recommendations in the "Biting the Bullit" publications, and members of the press for investigative journalism to expose what is hidden and illegal. The list is of course much longer.

A few weeks ago I participated in the Security Council's debate on small arms. More than 60 governments took the floor. The statement issued by the President of the Security Council on 31 October deals with the very problems we have come here to address:

The statement stresses the need for the Security Council itself to "consider innovative strategies to address the close interrelationship between the illicit trade in small arms and light weapons and, among others, drug trafficking, terrorism and organised crime". It urges governments to "adopt legislative and other measures to ensure effective control over the export, import, transit, stocking and storage of SALW. It asks member states to "consistently use end-user certificates in their arms transfers" and "exercise the highest degree of responsibility in SALW transactions". It calls for international co-operation to enable states to identify and trace SALW and for further steps to control brokering, such as the establishment of "a national register of arms brokers....and intermediary firms, including transport agents". It addresses the need to pursue arms embargoes more vigorously, and asks international organisations, NGOs, business and financial institutions to contribute to the effective implementation of arms embargoes. It talks about the need for information exchange, for sanctioning violators, and for monitoring mechanisms on arms traffickers.

Ladies and gentlemen,

We have authority from the highest level, the mandate to take concrete action, and the agenda we need to work on. We have "promises to keep, and also miles go before we sleep" to borrow a line from a well-known American poet. We know that weapons continue to flow into conflict areas of the world and into the hands of criminals and terrorists. I join the Representative of the incoming Dutch OSCE Chairman-in Office in stressing that only concrete action can change that reality. Let us therefore approach work today and tomorrow with an ambition to be concrete and make the OSCE an effective instrument in our endeavours.

Thank you, Mr. Chairman

# KEYNOTE SPEECH: THE ECONOMIC IMPACT OF TRAFFICKING IN SALW

by Dr. Peter Batchelor, Project Director, Small Arms Survey Project  
Graduate Institute of International Studies, Geneva, Switzerland

## 1. INTRODUCTION

The aim of my presentation is to provide an overview of the issue of trafficking in small arms and light weapons (SALW), with a particular emphasis on the economic impact of trafficking in SALW.

My presentation will cover 3 areas:

- i) the global trade in SALW
- ii) features of trafficking in SALW
- iii) the economic impact of trafficking in SALW

I hope that some of the issues raised in my presentation will be picked up, and expanded upon by the other speakers, and discussed in more detail during the various working groups.

The word trafficking implies something that is illicit or illegal. Trafficking as a concept has 2 distinct dimensions:

- the trade and commerce in explicitly illegal commodities (e.g. cocaine)
- the trade and commerce in legal commodities (e.g. cigarettes, petrol, currency, diamonds, arms) in illegal ways.

My presentation will focus specifically on the second dimension – the illicit trade and commerce in a legal commodity - SALW.

## 2. GLOBAL TRADE IN SALW: Definitions, Basic Issues

The overwhelming majority of SALW start out their lives legally. They are either domestically manufactured by the state or in factories authorized by the state, or else are legally acquired by individuals, private actors, or government agencies from foreign producers or suppliers. In only a few cases do weapons start out their lives being illicitly produced, usually then remaining in the illicit market for the rest of their life span.

SALW are produced by more than 1000 companies in at least 98 countries world-wide. At least 41 countries in the OSCE region have the capacity to produce small arms and/or ammunition.

Legal weapons tend to become illicit through *transfers*. These transfers can be intra-state (within a state) or inter-state (between states). Transfers themselves can be either legal (authorized) or illicit, with the legal transfer of weapons being governed by national and/or international law.

The UN Disarmament Commission 'Guidelines on Conventional Arms Transfers' have defined illicit trafficking as the 'international trade in conventional arms, which is contrary to the laws of States and/or international law'.

Therefore, in order for a transfer of SALW to be considered illicit, there must be evidence of the violation of national and/or international laws. However, while small arms may enter the illicit market through transfers that explicitly violate national and/or international laws, there are also a number of other ways by which weapons can be diverted to the illicit market.

The mechanisms or pathways by which weapons move from the legal to the illicit circuits include the following:

- i) Domestic leakage (e.g. theft from state arsenals)
- ii) False Documentation (false end-user certifications or violations of end-use undertakings)
- iii) Ant Trade: The small-scale transfer of weapons legally acquired in one state and then trafficked illegally into a neighbouring state;
- iv) Supplies to non-state actors or countries under embargoes or other restrictions.

These four pathways are not necessarily exhaustive, but it is important to underline that *in virtually all of these cases, the diversion of arms to the illicit circuit takes place in direct violation of stated government policy.*

The concept of illicit trafficking in SALW needs further clarification.

When discussing illicit trafficking, or the illegal trade in SALW, it is useful to distinguish between the grey market and the black market. While the terms are not always analytically clear-cut, they are useful for helping us to understand the different aspects of illicit trafficking.

#### Grey Market Transfers:

Transfers (usually covert) conducted by governments, or brokers or other entities sponsored by (or acting on behalf of) governments, that exploit loopholes or circumvent current national and/or international laws. Such transfers can be in violation of an exporting state's own national laws or even stated national policy, international law or can contravene the national (importing) laws of the recipient state. While this trade is arguably illicit, recipients or brokers of such transfers often argue that they are legal, as a government somewhere has approved or initiated the transfer.

Grey market transfers include sales to a recipient country that has no identifiable legal authority or government (e.g. Somalia), or transfers by governments to Non-State Actors (NSA), i.e. rebel and insurgent groups. In addition there are cases where governments (legally) hire brokers to transfer weapons to illegal recipients (e.g. countries or groups under embargo). Some arms brokers also claim that, if some government somewhere knows of the transfer and does nothing to stop it, then the transfer is 'legal'. Thus passive involvement in illicit trafficking is no different from active involvement.

#### Black Market Transfers:

Transfers that occur in clear violation of national and/or international laws (ref. UN Disarmament Commission Guidelines). Normally such transfers occur without any official government consent or control.

The difference here between the grey market and the black market is that government involvement in the grey market usually entails a hidden policy agenda or operation driving the transfer, while the black market only includes those transfers where corrupt individual government officials are acting on their own, usually for personal gain.

In sum, there are three types of SALW transfers: legal, grey and black. For the purposes of our discussion today both grey market and black market transfers are included in our definition of illicit trafficking.

Some basic information about the global trade in SALW:

- At least 60 countries are involved in the legal trade in SALW. Impossible to say how many countries are involved in the illicit trade.
- The major legal suppliers of SALW include a number of OSCE countries and China.
- The total trade in SALW is worth about US\$5 billion per annum – of which about 80% is legal trade (US\$4 billion per annum), and the rest is illicit (worth about US\$1 billion per annum)
- Thus, the illicit trade in SALW is much less significant than legal trade in economic terms, yet has a disproportionate impact in terms of its role in fuelling crime and conflict.
- We can document about 50% of the legal trade – from official and unofficial information.

- More than 20 countries now provide information, through annual or other reports on their arms exports, including small arms exports. Many OSCE countries now regularly produce annual arms export reports.
- It is difficult to distinguish between the trade (legal and illicit) in new weapons, and surplus weapons.
- The grey market is significantly larger (in value and volume) than the black market.
- The grey market appears to have the greatest impact in situations of armed conflict - i.e. where governments are actively or passively supplying SALW to non-state actors that are involved in intra- or interstate conflicts.
- Black market transfers tend to be much smaller (in terms of value and volume) than grey market transfers – used mainly to supply individuals and/or criminal groups.

### 3. FEATURES OF ILLICIT TRAFFICKING IN SALW

Illicit trafficking (whether in arms, drugs, cigarettes, petrol, humans, etc) is not a new phenomenon. In many cases trafficking is hardly criminal – nothing more than tax evasion. Trafficking in SALW has some specific features, but it also shares some common features with trafficking in other commodities.

For example, trafficking in SALW (illegal commerce in legal goods) is usually institutionally embedded (through individuals or companies) in the structures of the legal industry (in this case arms industry – either state owned, or government authorized)

Most illicit trafficking in SALW has the following features:

- various clandestine or covert methods are used to move the weapons from supplier to end-user, and/or to mask the identity of some or all of the actors;
- a substantial part of the cost of the deal is due not to the costs of purchasing the weapons but the costs associated with the surreptitious movement of the merchandise from supplier to end-user.
- the involvement of intermediaries (brokers, dealers, transport agents, financial agents) is critical.
- financial flows usually need to be laundered to hide their origins or destination

Arms deals can be covert in two ways: either their nature is disguised (which implies deceiving supply-side regulators with fake documents (EUCs), or their very existence is hidden, so that the regulatory system is avoided altogether. It is interesting to consider which method is more common today, and which method is used with regard to small scale and large scale consignments.

#### a) Actors

Trafficking in SALW (and other commodities) involves a number of actors:

- suppliers – arms trading companies, or producers involved in the illicit manufacture of SALW but also legal manufacturers, where part of the production is made "off the books" and sold outside official channels.
- intermediaries: criminal groups (usually involved in the illicit trafficking of several types of items) and arms brokers (which usually focus on arms) facilitate and organize arms transactions, can provide counterfeited documentation, sometimes have their own transport facilities.
- financial agents and banks arrange finance and payment
- transport/shipping agents: organize the transportation of goods
- corrupt government officials: provide the necessary documentation (i.e. in the exporting country: forged export licenses, in the importing country: forged end user certificates), sometimes act as intermediaries.
- end users: rebel movements, illegitimate non state actors, countries under embargo

So actors can be both governmental and non-governmental. It is also important to note that these categories of actors are not mutually exclusive. Militias and armed groups, for instance, partly finance their activities through various forms of trafficking, including arms trafficking. Also, not all actors are involved in every case of illicit trafficking.

In terms of recipients, criminals or "terrorists" (or, for that matter, intelligence agents looking for "sterile" equipment) often demand SALW in small quantities, because their acts of violence are usually selective'.

Armies, whether regular or irregular, demand SALW in much larger quantities. It is interesting to note that the same actors (intermediaries, brokers, suppliers) might be used, or involved, in the supply of weapons to both types of recipients.

Countries might also have strategic motives to resort to illicit trafficking (to hide their military holdings from their neighbours' scrutiny) or financial motives (to protect clandestine bank resources from punitive asset freezes).

Usually brokering activities, and organized crime are treated separately, but brokers who facilitate illicit deals in SALW tend to also have links with organized crime, or criminal networks.

Criminal groups and criminal networks can of course play a key role in the illicit trafficking in SALW (and of course other commodities)

In general terms, criminal networks have a number of features:

- they can emerge spontaneously to complete a single transaction
- they can be created by a core of different groups for a specific purpose
- they can be involved in a range of different activities (i.e. trafficking in drugs, stolen cars, arms, prostitution, antiquities, endangered species, and extortion and fraud).

Thus, most criminal networks tend to maintain a relatively fluid structure. This has a number of advantages.

- their low visibility enables them to operate clandestinely.
- their lack of physical infrastructure makes them difficult to target by law enforcement agencies and enables them to move easily to countries where risks of enforcement are low
- their ambiguous status creates jurisdictional confusion
- they are difficult to dismantle (if part of the network is destroyed the network can still operate) and easy to rebuild

Few criminal groups are only involved in illicit trafficking in SALW. These criminal groups tend to get involved in illicit trafficking in SALW as a supplementary or complementary activity to their other trafficking activities.

b) Link with other forms of trafficking (drugs, humans, other commodities)

There are in some cases linkages between trafficking in SALW and other commodities. However, these linkages tend to be ad hoc, random, and not in any way institutionalized (i.e. created for a particular purpose and then dismantled). These linkages, where they exist, also tend to be context specific.

The empirical evidence available to demonstrate the links between trafficking in SALW and other commodities is difficult to gather. In addition, some of the available data is highly questionable, as security agencies (intelligence, police, border guards etc.) have institutional incentives to exaggerate linkages, as this will help them get more state funds/resources.

The linkages between trafficking in various commodities seem to depend on context. Thus, in Central Asia, the drugs and arms trade are closely interlinked, with smugglers transporting arms in one direction and drugs in the other. In North Africa, human smuggling over the straits of Gibraltar is linked to the drug trade (both are smuggled from Morocco to Spain), but there is no known arms component. In the Balkans, various forms of smuggling are interlinked (humans, drugs, arms etc.).

In recent years a set of interrelated black markets (in different commodities) with their own sources of supply, their own systems of information, and their own modes of financing have emerged. The result is that an illicit arms deal might take place within a matrix of various black market transactions. For example, weapons might be sold for cash, exchanged for hostages, bartered for heroin or religious artifacts, or countertraded for grain or oil.' However, in most cases, the linkages between these various black markets are ad hoc, created for specific purposes and deals. Once the specific deal, or transaction is completed, the linkage is usually dismantled.

### c) Financing of illicit trafficking

The costs of illicit SALW deals tend to be higher than for legal deals, for the following reasons:

- 1) cost of fake documentation (false end-user certificates, export licenses etc.)
- 2) bribes
- 3) fees to brokers, transport agents, front men etc.
- 4) if payment is not in cash (i.e. in diamonds, etc.) an extra charge may apply
- 5) money-laundering costs

In an illicit SALW transaction, the pricing process is far more complex. Buying the weapons is only the initial step in a long and complex commercial chain that adds "service" charges at each stage.

The various parts of this cost chain are:

- the charge for the issuance of a letter of credit by a gunrunner;
- the costs of phony EUCs;
- sometimes the payments to ensure that the selling country issues the export license or to bribe obstructionist customs officers;
- costs associated with the use of front men and "subcontractors";
- costs of transportation;
- potential payments necessary, at the point of delivery, to ensure quiet Cupertino at the port of disembarkation;
- kickbacks to officials responsible for steering the order to the particular dealer might also be added.
- if the deal is monitored by one or more intelligence services, each may demand a "covert action tax", with the funds used to top up a "black budget".
- additional costs might be represented by exchange discounts and commodity brokers' fees, if the payments are made in nonconventional forms;
- finally a profit percentage must be added.

The net result of this cost chain is a final sale price to the recipient that bears little relationship to the original cost of purchasing the weapons.

## 4. ECONOMIC IMPACT OF TRAFFICKING IN SALW

While illicit transactions in SALW tend to cost more than legal transactions, and are often more complex, illicit trafficking remains popular for a number of reasons:

- guarantees anonymity (masks identify of some, or all actors)
- has useful strategic and financial aspects (e.g. laundering of government money)
- often the only source of weapons for criminals and those actors who are prohibited from obtaining weapons legally (e.g. embargoed states, rebel groups)

The economic impact of trafficking in SALW can be examined in terms of the following issues:

- Corruption (role of government officials)
- Government Revenue and Resources
- Indirect impacts

### 1) Corruption

Corruption on the part of government officials is a key feature of the arms business, and of course illicit trafficking in SALW. In most countries, the production of, and trade in, SALW is regulated by government. But in almost all cases of illicit trafficking (at the point of supply, transit and receipt), some government official is involved, either in terms of individual interest or corporate interest (e.g. security agency).

Corruption is also a key issue in customs services. This is an economic issue, linked to poor pay (sometimes no pay), in which bribes are the only source of income for many customs officials.

Corruption and bribery affect both the legal and illegal arms trade. There is, indeed, little difference between the defense industry proffering bribes to govt. officials to secure a contract, and arms brokers offering money in exchange for an official turning a blind eye on forged documentation.

A study by Transparency International (1999) shows that the defense sector is one of the most corrupt sectors of the global economy, only second to public works and construction. A 2000 US Dept. of Commerce (2000) report confirms this by revealing that about half of all identified cases of bribery between 1994 and 1999 involved the defense sector.

Corruption can have negative impacts on governance and the rule of law generally. If corruption amongst government officials is endemic, but is ignored or not dealt with, this creates a culture of impunity.

Such a situation undermines the government's legitimacy and its ability to enforce a reliable, consistent, legal framework for the normal functioning of markets, and regular economic transactions. In the long term this can have detrimental consequences for a country's macroeconomic environment.

## 2) Government Revenue and Resources

Illicit trafficking in SALW (and other commodities) means that government's ability to collect revenue (in the form of taxes, import duties etc) is reduced. This in turn means that government has fewer resources to spend on basic services (health, education etc). Thus reducing illicit trafficking is critical in terms of revenue collection, particularly for developing countries, where resources are scarce.

The amount of money spent on combating illicit trafficking can also have adverse economic effects, by reducing the available resources for government spending on other social services.

The presence of a large informal (or black economy) which is fed by illicit trafficking (in different commodities) is economically inefficient, and can present a major obstacle to economic stability in terms of the following:

- prices are often artificially high or fluctuate widely
- supply of goods is not guaranteed
- no consumer protection (no guarantees for products, no repair)

## 3) Other Socio-Economic Impacts

Most illicit arms go to actors which are most likely to use them: criminal groups, terrorists, rebel armies etc. Thus, illicit trafficking in SALW can play an important role in fuelling crime, conflict and insecurity.

As such, it can have an impact on a country's socio-political stability, which in turn has an impact on macroeconomic conditions, and investor confidence (both amongst domestic and foreign investors).

The presence of high levels of violent crime, or armed conflict, can have a number of other impacts, which can undermine a country's socio-economic prospects.

High levels of armed violence can lead to forced displacement (refugees and IDPs), declining agricultural production and food security, declining access to basic services (if schools and clinics are attacked or targeted). In this context, a country's economic prospects will be severely diminished.

## Conclusion:

Because most weapons start out their lives legally, we have to focus on regulating the legal production of, and trade in, SALW if we want to do anything serious about illicit trafficking. But we have to start at home at the national level. Governments need to tighten legislation and regulations governing legal production and trade, and then invest significant resources in implementation.

We need more transparency. Until we have more transparency about the legal trade in SALW, we will never really know about the dynamics of illicit trafficking, and how legal weapons are being diverted into illicit channels.

But we have a problem. Decades of secrecy about the legal production of, and trade in, arms have created within many governments an information gap – where even senior officials in government simply do not really know, and may never know, the true picture about SALW in their own country. Without adequate information we will not be able to effectively tackle the issue of illicit trafficking in SALW.

## **WORKING GROUP I – PRODUCTION AND TRAFFICKING NETWORKS**

**Rapporteur: Mr. Matthieu Goodstein, OSCE Office in Yerevan**

Participation was wide and varied, thanks to the very informative presentation of the speakers. This led to a constructive discussion in which several options and avenues were explored and issues were raised, to pave the way to a better understanding in the production and trafficking of SALW.

We opened the session with a presentation from Ms. Kate Joseph representing the OSCE CPC, dealing with the current work of the OSCE FSC Support Unit in the SALW realm. As an informative background, the OSCE document on SALW represents a multidimensional tool to help correct a multifaceted problem.

What can be drawn from such Document? As a result of a workshop held earlier in the year it was clear that much progress has been accomplished, but more has to be done. The ensuing conclusions and recommendations are a clear demonstration that the problem of SALW proliferation is not only a threat to peace and stability, but equally important, a definite impediment to economic growth.

Three main issues have been deemed as crucial in pursuing the work of the OSCE Document SALW, as follows:

1. Information Exchange System: viewed as an attempt to define and quantify the legal trade in order to better understanding the illegal trade. The agreement to exchange information on SALW, on both side of the equation – Import AND Export within the OSCE represents a far-reaching step. The first exchange of such kind took place in 2001 and it is planned to undertake another one in the coming year, thus making a transparency a reality, more than a principle. It should be stressed however that the information gathering is a time consuming process so efforts shall not be wasted.
2. Another issue that originated from the Workshop this year is the creation of a Best Practice Guide, which would be a tool and a guide in reviewing national policies and practices. In this respect, 8 areas have already been identified
3. A third aspect worth mentioning is that the Document, under Section V, can be used as a tool in combating terrorism, thus prioritizing a number of aspects including next steps in the role of OSCE Field Presences.

### **Conclusions**

We can conclude that the Document has gone beyond the norms and standards and has now moved towards and also has the potential to become a practical mechanism in its implementation and mainstream SALW issues into other work of the OSCE.

### **Presentation II**

*Production – Licensed Production, Movement of SALW into Illicit circulation – Maxim Pyadushkin*

The simplest and most economically advantageous way to develop domestic production of SALW is licensed production. In such manner, States strengthen their military technical Cupertino and at the same time receive political security guarantees by the licensor.

One crucial question is what are the advantages of doing so? The first and foremost is economic gain, in increasing a market share and avoiding strict export controls on the licensor's side. On the recipient's side, the advantage is acquiring the technology to manufacture its own version of a weapon, and exporting it freely without having to pay any royalties.

Moving to diversion into illicit trade, several ways of diversion have been enounced and identified, as follows:

- Government supply to Non-State Actors (cold war scenarios for instance – Afghanistan and other proxy scenes)
- Arms Embargoes are not enforced, as they are violated by States pursuing their own economic interest – SALW in this case are diverted through forged end-user certificates.
- Theft from Government facilities – there is an inefficient procedure in guarding and securing stockpiles of SALW.
- Seized SALW from battlefields – although it represents a small volume, it still serves as a basis for arming non-affiliated groups.
- Illegal manufacture – though it represents a small percentage, it nonetheless contributes to some proliferation. It should be noted that such illicit production generally occurs where legal manufacturing is present (ex.: Chechnya, Pakistan, etc.)

#### Conclusion – Consequences:

It can be said that the facilitated and illicit access to SALW has the potential to warp any type of peaceful resolution of a conflict, as it becomes the only instrument and deterrent of resolving political, economic and social problems, thus creating what is known as “Gun Culture”.

#### **Presentation III**

*Illicit Trade – Weapons Flow, volume estimates, balance of legal and illegal trade, and working methods of SALW Dealers – Nicholas Marsh*

The speaker presented us with 2 types of customers in the illicit trade of SALW

1. Criminal Gangs – smuggling and trafficking (including drugs, human beings, stolen property), small but numerous. These types are great facilitators of organized crime, using the same routes as indicated earlier. Another type can be found in conflict prone or conflict affected areas.
2. Warfare – Arms are transferred to unaffiliated insurgent groups, and to states under embargoes. Contrary to the above, transfers are large but less frequent. These customers represent the largest flow of SALW trafficking.

The particularity of these customers is defined by the methods used in supplying SALW:

- Transshipment, - violation of end-user certificate
- Forged Documentation - Forged end-user certificate.
- Air Charter Firms

#### Conclusion and Recommendation

Governments can provide measures to prevent trafficking in the following manner:

- The implementation of existing national laws needs to be improved
- All documents should be checked and cross-referenced
- Further control is encouraged by increasing transparency
- There is a need to combat the corruption, associated with the arms trade

#### **Presentation IV**

*Country Case Study – Implementation of the Program on fighting against Illegal trade in SALW – Experience in Ukraine – Olexiy Segeyev*

No one country can tackle trafficking alone. Even internally, requires mobilization of significant resources. The Ukrainian experience have uncovered some trafficking operations, developed internal arrangements for dealing with trafficking, coordinated by the Ministry of Interior.

#### Conclusions and Follow-up:

- Work on the registration and marking of firearms in Ukraine
- Prevention of theft of firearms – improve stockpile management
- Improve the legislative and regulatory Framework – a series of draft laws and regulations are currently presented to the Parliament for discussion and approval.

## **Recommendations**

In light of the above presentations and ensuing discussions, a few points came to light, allowing us to have broadly the following breakdown:

### **1. Information Exchange and Transparency**

- The fact of increasing Transparency and the information exchange is definitely important, but in light of this, it is recommended to broaden the scope of the OSCE Document, as many transfers are done OUTSIDE the OSCE Region. Delegations forget the information exchange is strictly limited to the OSCE area. This initiative should of course be done initially on a voluntary basis.
- The more information made available the better the process will be. Quantifying and defining better the legal trade will allow increased understanding of the illegal trade, including increased overall transparency
- It is also recommended making publicly available the information on the destruction of SALW.
- As for the Second round of Information Exchange, it is useful for pS to ask the CPC to provide an overview, and to make it annual and public. This will contribute to learning from different countries, since the process and lessons learned are as useful, as the information itself.
- Information exchange is very important – there is a strong need to start evaluations and information exchange on legislation, based on the UN draft resolution agreed by the UN First Committee.
- It is clear that the OSCE Document on SALW is the responsibility of governments, but the role of Civil Society and NGOs is undeniable and can positively contribute to increased transparency.
- The SALW issue shall be mainstreamed into the work done on fighting corruption and impunity.

### **2. Licensing and Availability**

- The life of a weapon is long – 30-40 years. pS were aware of SALW prior to 9/11. What should be looked at is the current availability of weapons within society, and not focus specifically and solely on the export and import issues/recipient donor side of the equation.
- In light of the above, the availability and the surplus of SALW is equally important – what is at stake is try to find ways to take the weapon out of circulation, though export controls and transfers are very important, because old weapons are still being transferred.

*On the export side, there are certain considerations and perception that should not be overlooked. Participating States are quite sensitive about sharing information, because of commercial fears of declining market shares, this should be overcome.*

- The surplus issue represents a thorn in the SALW proliferation issue, as a lot can be done in that field. National Programs should be set up and implemented with the help and guidance of experts for the destruction of their surplus arsenal.
- Problem of licensing – this there is a need to control the issuance of licenses of production. The same criteria should be applied for licensing of arms exports
- Surpluses need to be identified, and programs designed to implement their destruction.

### **3. Institutional**

- Governments should ratify the UN Firearms protocol – which encompasses SALW and Ammo and Explosives.
- There is a need to harmonize/standardize the end-user certificate.
- OSCE Field Presences (Section V) have an important role not only in reporting but also in action, such as arms collection. Problem of harmonizing the above with the respective mandates of the OSCE Field Presences.
- There is a need to cooperate with law enforcement and customs authorities
- Romania has taken the initiative, in Cupertino with Italy and Canada to hold a Seminar on the OSCE Document on SALW and the UN Plan of Action, focusing specifically on Import and exports Controls, and marking and tracing to be held in Bucharest on 1-February of next year, thus adding momentum to the practical side of the discourse.

## WORKING GROUP II - TRAFFICKING AND ECONOMIC IMPACT

**Rapporteur:** Ms. Ceylan Öskiper, Permanent Mission of Turkey to the OSCE

***Speakers:***

- *Ms. Kathi Austin, Director, Arms and Conflict Program, Fund for Peace, USA: “Financial flows/money laundering”*
- *Mr. James Owen, Senior Economist from the Economist Intelligence Unit, UK: “Impact of illegal trade in Small Arms on Investment Climates”*
- *Ms. Dolores Purova, Anti-Trafficking Office Directorate of Criminal Police, Ministry of Public Order, Albania “Country Case Study: Albania”*
- *Mr. Bernardo Mariani, Saferworld, UK :”Tackling the Accumulation and spread of Small Arms and Light Weapons-the economic impact”*
- *Mr. Ilir Gedeshi, Coordinator, Center for Economic and Social Studies, Albania: “Country Case study: Weapons in Exchange for Development (WED), Albania”*

In Working Session II there was the opportunity to get deeper into the negative socio-economic impacts of small arms trafficking and accumulation in many countries and regions.

The first keynote speaker Ms. Kathy Austin: pointed out the complexity of the financing of the SALW trafficking outlining several methods used to raise revenue for the purchase of small arms. Within this context, she noted that arms are being exchanged not for cash but for other commodities including drugs or natural resources. She also focused on the transactions used and dwelled on the difficulty of detecting the criminal intent in financing illegal arms deals. She also elaborated in depth on close connections between money laundering and trafficking of small arms and light weapons by following financial flows rather than the weapons themselves: it is possible to identify a paper trail that could support and facilitate the investigations.

Mr. James Owen presented a pilot study commissioned by the Small Arms Survey on the relationship between gun crime and inflows of FDI (foreign direct investment). He underlined that crime was not the primary factor in decision to invest overseas but is seen as another cost that should be taken into account. He noted that some industries were more vulnerable to “gun crime” such as banking or transportation industry. Through a combination of quantitative analysis and surveys this study brought out that gun crime plays a role in an initial decision to invest and can prevent a country from benefiting from the positive spill over effects of investment.

One delegation stressed that lack of FDI in a certain country cannot be assumed as the only indicator of the negative situation that country is facing with its economy and therefore any assessment on the negative economic impact of arms trafficking should include a broad ranging variety of issues. The speaker stressed the overriding importance of local rather than foreign investment on economic activity. Mr. Owen in response, underlined that FDI was one of the few indicators that enabled the researchers to make quantitative analysis, therefore it was taken as the basic indicator in the project.

During the discussion it was also underlined that a linkage could be established between crime clearance rate and the FDI interests in a country and the degree of rule of law should be looked at more closely in

order to get a clearer picture of the situation. In this context, it was mentioned that increased efficiency in countries' judicial and law enforcement systems would certainly help to decrease the rate of criminality.

One particular comment came from the floor that collecting data regarding the crime rate is not up to the desired standards even in the developed countries and therefore a more advanced and careful system of data gathering and collecting is needed in order to make a correct analysis regarding the rate of the crimes committed with a small arms involvement. This data for example, could be gathered by investigating the health institutions in order to learn the number of injuries.

During this part of the discussion speakers stressed the difficulty in tracing the illegal arms transfers by simply looking at the cash transfers in the banks and in response to a question in this respect from the floor, Ms. Austin repeated that until the criminal intent of a money transaction has been proven, it is difficult for the law enforcement officials to scrutinize to which particular arms trafficking that money is flowing into.

Ms. Dolores Purova, in her presentation, provided us with an insight on the recent changes in the Albanian legislation and the concrete steps taken by the Albanian government regarding fight against trafficking in small arms and light weapons, which is recognized by many as serious threat not only to national but also to regional peace and security. She particularly stressed the heavy penalties that ranged between 10 to 20 years of imprisonment for the illegal production, possession and trafficking of these weapons and materials and underlined that tightening of the penalties is one the factors to deter and therefore to prevent arms trafficking. She also gave brief explanation on the newly created units within the Albanian government for the fight against small arms trafficking. In this context she highlighted a number of incidents where traffickers have been caught by law enforcement agencies and brought to justice as result of these newly introduced measures. Finally Ms. Purova gave brief information on the operation Plowshare launched in November 2002 in the context of Southeastern Cooperation Initiative.

Mr. Bernardo Mariani provided an account of the causes and the results of the small arms trafficking as well as the regional and international initiatives to overcome this problem at hand. He stated that the end of Cold War and the need for hard currency was what induced many civilians to be involved in arms trafficking. He stressed the international community has responded to this problem through adopting by a multiplicity of instruments such as the EU Joint Action, the OSCE Document and the Stability Pact Regional Implementation Plan. He also mentioned a number of initiatives conducted in several OSCE countries. After profiling the problem itself and the remedies introduced, he explained how heavy the negative impact was on the economy of not destroying the small arms in surplus. Once the political commitment and the willingness of a country is present for eliminating the problem, it is not difficult to mobilize the international community and allocating the necessary resources.

Mr. Ilir Gedeshi outlined the study carried out by CESS on the socio-economic impact of UNDP's weapons in exchange for development program in Albania. He repeated the questions posed by the study, which were, "What impact did the program have on human security?" and "How have the development projects provided improved productive life in the region?". In response, it became apparent that the program had made a contribution to investment; that the participatory approach had created employment opportunities; and that there was a certain indirect impact on living standards. He noted an indirect effect in terms of awareness raising among the public about the dangers of weapons which had a positive economic impact. He stressed that concrete benefits might take some time to become apparent, which could lead to impatience among the population, and noted the modest contribution made to the program in terms of economic activity and development.

The discussion that followed these three presentations was lively.

One representative expressed concern regarding the security risk posed by the small arms and light weapons other than the 30-40% seized after 1997 in Albania, stating that these remaining weapons could be transferred to neighboring countries and have a negative impact on regional security. The moderator pointed out that seizure of the above mentioned ratio could be called a success in itself in comparison to the amount of arms in illegal circulation.

During the discussion there was a brief presentation by Bulgarian General Staff representative. After giving a brief account of the Bulgarian experience in the destruction of surplus arms, he underlined that there could be both negative and positive impacts to the society and to the economy of destruction of small arms to the participating States. He also stressed that the lack of definition of small arms and light weapons make the OSCE to leave ammunition and explosives out of its focus, although ammunition, that makes up a weapon system together with the small arms itself, poses a genuine, concrete security risk and any future attempt aiming at SALW definition should also include ammunition.

One delegation drew attention to the need to provide incentives to make collection programs more attractive the public. The moderator noted that a delicate balance must be maintained between providing incentives and creating a market for illegal weapons. It was noted that cash in returns for guns can often have negative consequences, and the weapons in exchange for development approach can be more successful.

It was also mentioned that securing stockpiles adequately brings a financial cost that could only be faced by a limited number of OSCE participating states. Destruction can be preferable in financial terms. Another delegation stated that while the issue of destruction is included in a number of international instruments, there is little agreement on the definition of surplus even at the national level. She highlighted this particular point as one of the possible causes of the reluctance to destroy weapons.

The underlying impression during both parts of the discussion in Working Session II was that there is much more to be done in order to get a thorough picture of the negative socio-economic impacts of SALW trafficking. More data and deeper analysis in time for the 2003 Economic Forum in Prague would help a great deal to understand the problem better. On the other hand, while most of the participants accepted the difficulty in estimating the economic impact, it was agreed that concrete projects conducted on an international or regional level regarding the problem of small arms trafficking should continue to help those countries in trouble to improve their reputation, to prevent crime and to increase their security so that their territories would become a more fertile ground for healthy economic activity and development.

### **Recommendations from Working Group II:**

- Better monitoring of extractive industries involvement in conflict areas and of cash being brought into countries
- Better certification schemes of origin for natural resources
- Tightening penalties for wire fraud and bank fraud to act as a deterrent
- Tightening laws on bribery
- Tightening conditionalities and transparency measures required on foreign governments' use of bilateral and multilateral aid
- Monitoring arrival of foreigners in a country with the aim to purchase new houses, businesses, etc.
- Paying attention to the destruction of surplus weapons
- Making donors' support conditional on the destruction of illicit small arms that were confiscated or collected
- Introducing standards for the destruction techniques,
- Allocating resources to the destruction projects whenever possible
- Developing viable economic alternatives to arms trafficking
- Further studying the economic impact of arms trafficking and gun-related crime for the Prague Forum by Small Arms Survey (and OSCE)
- Involving ex-combatants or demobilized military personnel in destruction of weapons as a means for fostering social re-integration.
- Carrying out more research on programs such as weapons in exchange for development, both before and after the program is conducted, in order to determine the real economic benefit.
- Including ammunition and explosives within any future definition of SALW and including this element in the SALW related work
- Ensuring safe storage for surplus weapons

## **WORKING GROUP III - INTERNATIONAL ARMS BROKERING**

**Rapporteur: Ms. Mary-Honor Kloeg, Ministry of Foreign Affairs, Netherlands**

In brief: Kathi Austin addressed the problem of unregulated actions of brokers and stressed the need for an international instrument to control brokering. Ambassador Leif Ulland lined out the main elements of a national control system and possible steps towards an international instrument. Mr Suda informed delegates about the Polish legislation on brokering. The working session was chaired by Owen Greene, rapporteur Mary-Honor Kloeg

### ***Problem***

Although there is often a legitimate role for arms brokers, the main problem is that the majority of their activities are unregulated, leaving scope for irresponsible or damaging activities by some brokers. Only 12 to 15 countries have domestic regulation. Because this legislation varies very much in scope and comprehensiveness, it is very easy for brokers to take advantage of the legal loopholes and inconsistencies. This enables unregulated brokers to be involved in most of the diversion of arms from the legal to the illicit trade as well as many arms transfers to conflict zones.

### **The way ahead**

1. There was wide recognition of the need to develop shared understanding of the definition of brokering and brokering activities at a regional or international level. There are many different approaches on how extensive this definition should be. The definition used by non-governmental experts such as in the Small Arms Survey, the Model Convention on brokering prepared by the Fund for Peace, and Biting the Bullet Project Publications are useful examples. The definition that is used in the Polish legislation is: "Brokering is taking actions in order to facilitate trade acting as an agent in arranging or negotiating contracts, purchases, sales and transfers, transport and financing".
2. Recommendations should be developed on the main elements of a national control system. Some key points that were mentioned are:
  - There should be registration of arms brokers resident or established within the territory and the establishment of a national register of brokers. No license should be granted to unregistered brokers.
  - A license or written permission to engage in brokering activities should be required by national authorities in the state where the brokering takes place or where the broker is resident or established.
  - Decisions on applications for registration and licenses should take into account the applicants past record and behavior.
  - License-applications should provide information on the nature and the content of the transfer, its origin, the transport routes and end-user.
  - There should be system of sanctions for cases of violation.
  - Implementation and enforcement of laws is as important as regulation itself. So increased cooperation in export control, border control and customs should be promoted.
  - The question of extra-territorial application was raised. Several countries (including USA, Poland Finland and Belgium have adopted brokering laws that are applicable to activities by citizens in third countries. For example, the US brokering law is applicable to US citizens outside the US and to non US citizens inside the US.

The case of Poland was presented as a useful example. Polish legislation on brokering was established in November 2000. Polish brokers need an individual license and a license for their activities. All business partners have to be identified as well, along with the character of their involvement in a given contract.

The procedures of export control are applied to brokering activities, not only to the activities of arms brokers but Polish law on brokering applies to transporters as well.

3. In order to be effective, control of brokering requires coverage on a regional or international basis.

Substantial work is being done in the EU, Wassenaar Arrangement, OSCE and the UN. However, there is a need for improved information exchange and co-ordination between such processes. In the discussion a number of issues were raised and also some widely supported recommendations were made.

### **Recommendations:**

- OSCE countries should aim for agreement on the elements of model regulation to control brokering activities. Some degree of flexibility is necessary so that brokering legislation would fit well into each country's national legal system, particularly those relating to arms transfer control and end users control, as well as national law enforcement traditions.
- The chapter on brokering in the OSCE Best Practices Handbook could be used as a basis for further development of co-operation and effective regulation amongst OSCE states.
- National systems for registration of brokers should be designed so that they are adequate but do not impose excessive burdens on legitimate commerce.
- There is wide support amongst companies involved in the legitimate production and trade relating to small arms and light weapons and other weapons for more effective regulations of arms brokering activities, in order to avoid their reputation being sullied by mal-practicers. It would therefore be useful to involve such companies in international efforts to promote effective regulation of arms brokers.
- There is a need for a greater and more systematic information exchange, including exchanges of national legislation and experiences, 'watch-lists', and amongst enforcement agencies.
- It would be useful to identify lessons learnt on, for example, the implementation of brokering law and regulations. These lessons learned could be included in the OSCE Best Practices Handbook, and review processes should be considered to ensure that this is an on-going process.
- A key challenge is to find effective ways of regulating the financial and transportation aspects of brokering. It is important here to learn lessons from other areas of international regulation within the scope of the Economic Forum, for example from the insurance business or commerce in dangerous chemicals.

Because brokering activities could apply to trade in all sorts of commodities, follow up of the discussion on brokering should not only take place in FSC, but in the Economic Forum as well.

## **WORKING GROUP IV -EXPERIENCE AND FUTURE ISSUES**

**Rapporteur: Ms. Katherine Brucker, United States Mission to the OSCE**

This session was rich in concrete examples of effective law enforcement co-operation, co-ordination and assistance, and rich in concrete suggestions about what the OSCE, and the Economic Dimension in particular, might do to combat trafficking.

U.S. EXBS (Export Control and Border Security) is a comprehensive interagency program to help recipient countries detect, deter, prevent and interdict illicit trafficking and transfers. Its focus primarily is halting proliferation of weapons of mass destruction, but its training and technical assistance significantly increase a country's overall basic inspection and border control capabilities. EXBS tailors its programs to the recipient country's needs, capabilities, threat level, existing resources and other assistance received. This ensures that assistance is appropriate and not duplicative.

Similarly, the SECI Center unites law enforcement agencies to fight organized crime. Its objectives include: increased operational co-operation between police and customs, facilitating investigation of illegal activities, technical assistance, training, and exchanging experiences. SECI recognizes that all interested parties – including regional organizations and NGOs must be included in consultation and information exchange, as this increases the results and possibilities of the law enforcement community.

Efforts to combat arms trafficking should center on: 1) implementing effectively existing agreements, and expanding and developing these agreements; and 2) integrating these agreements appropriately with efforts underway in related issue areas.

### **Observations/Recommendations:**

- In Southeast Europe (SEE), people and networks for the three types of trafficking are often the same. Those combating trafficking in SEE need to co-ordinate and to share experiences.
- Elsewhere, even if the players are not the same, similar networks exist to support the trafficking in arms, drugs and persons, and the same illegal activities support all forms of trafficking.
- OSCE can do a lot in training, especially in co-operation with other IOs, and on a regional basis (directed, where applicable, by regional co-operation among OSCE field presences).
- Combating trafficking requires a multi-dimensional set of policy responses on local, regional, sub-regional and global levels.
- OSCE could help with regulation of transborder financial agents.
- Lessons learned – we do not need to reinvent the wheel or to start from scratch. We should look at lessons learned from other regions and from related sectors. We should be careful about concluding that what did not work in one place is universally not a good approach.
- International assistance must complement what recipient countries are doing themselves. Countries must not be allowed to wait for international assistance to take action.
- OSCE participating States should implement the Financial Action Task Force (FATF) 40 Recommendations on Money Laundering.
- OCEEA should raise awareness among participating States of the use by traffickers and terrorists of non-freezable assets (such as diamonds and timber) to channel funds and to complete transactions.
- Co-ordination among governments, between governments and within the Dimensions of the OSCE is essential in combating trafficking.
- Post conflict areas need assistance immediately developing their economies to mitigate the emergence of grey markets and organized crime. It is imperative to deal quickly with distorted

economies. Similarly, disarmament, demobilization and reintegration of combatants be accompanied by efforts to provide economic opportunities for those affected.

- OSCE participating States should fully implement existing agreements, and integrate them with efforts underway in related sectors. The Wassenaar Arrangement was mentioned repeatedly in this regard.
- OSCE participating States should redouble their existing efforts to strengthen financial and banking systems in order to enhance their ability to detect and trace illegal flows.
- We should look at elements of model laws, not “model” laws. "Model" presumes similar operating environments.
- UN Firearms Protocol – OSCE could consider decision to accelerate implementation.
- We should explore regulation of other sectors, especially crime control and drugs – lessons for SALW trafficking. Similarly, we can transfer lessons learned from one sector to another.
- OSCE participating States should share information – through appropriate channels – about suspect brokers and end-users.
- The OSCE has a role to play in expanding the professionalism of border control and law enforcement officials, especially with respect to promoting transparency and combating corruption.
- The OSCE can help with efforts to promote responsible export policies.
- The OSCE could help with capacity building for countries to collect their own customs data: it was repeatedly noted that legal and illegal arms trade are closely linked and that we need to know what is legal in order to better deal with the grey and black markets.
- We should look at co-operation with sub-regional organizations outside the OSCE space.
- Arms tracing is important for identifying lines of supply.

## SUMMARISING REMARKS

by H.E. Daan Everts, Head of the OSCE Task Force, Dutch Ministry of Foreign Affairs and Representative of the Incoming Netherlands Chairmanship.

Thank you very much Mr. Chairman.

We have all heard the Presentations of the Rapporteurs and the lively discussions during the working groups. The comments and the findings draw a bleak picture of the realities in a world haunted by small arms trafficking. In that regard, we now have our feet firmly back on the ground. No time for flowery language in declarations, there is a clear challenge ahead: how to stop criminal networks from endangering the future of our citizens and our nations. The last two days have underscored, to say the least, the urgent need for the OSCE to engage actively in stopping the trafficking in small arms and light weapons.

In my introductory remarks, yesterday, I mentioned some estimates of the numbers of illegal arms floating around in the Netherlands and Albania. I deliberately chose two countries either side of Vienna, to stress the fact that this is a scourge affecting us all in the OSCE region. But more compelling than mere numbers is the tragedy unrolling in the daily lives of many ordinary citizens, men and women, in all our nations. Citizens who are looking for protection from their governments and from the international community, and therefore from the OSCE as well.

In that regard, Mr. Chairman, this seminar has been an encouraging event. The participation has been high and you have all been very active, either in your presentations or in the discussions to help the OSCE on the road to diminishing trafficking in small arms. This seminar has helped to highlight the economic impact of trafficking. We got a better insight what has to still be achieved in the field of brokering-networks and the criminal trade in arms. The two forthcoming seminars on trafficking in human beings and drugs will follow similar paths in their respective fields. The challenge of the OSCE's Economic Forum next year in Prague, and beyond, will be to identify the linkages between the three types of trafficking. While the criminal networks often operate in the three different fields at the same time, too often researchers and policymakers have observed them in isolation. This awareness should bring us to action-oriented recommendations to turn the tables in the fight against trafficking.

Now: what have I learned these past two days?

- The magnitude of the problem:
  - More than 40 OSCE-countries have a sizable production capacity for small arms and ammunition;
  - Excess capacity: Agreements on anti-trafficking and thus the reduction or elimination of over-capacity in production, we face the risk of socio-economic consequences like unemployment in these sectors of industry. Conversion has been mentioned as an alternative, that remains relevant and should continue to be explored.
- The need for action has once again been emphasised:
  - Transparency: It is a business that flourishes in the dark. Regulations that shed more light on the transfers of light weapons should be encouraged. We should strive for better information exchanges. The information should be available for all: governments, international organisations, NGO's and journalists. Regular reporting helps compliance, In formats which are easy to work with and also

accessible for other people than absolute experts. It all comes down to public accountability. It is my personal opinion that we should even go so far as to come up with a worst practices report.

- In the field of brokering suggestions have been made to come to common guidelines in the OSCE, national points of contact and international register of authorised brokers. Mr. Chairman I couldn't agree more that further action is needed on this subject and I am happy to inform you that Norway, The Netherlands and NGO participants here today will take up this subject and we hope to come with concrete proposals for the OSCE community in due time.

A subject that has not been touched upon is the perception of safety and the culture of weaponry that is manifest in certain OSCE regions. I bring up this point to highlight the importance once again of the conflict prevention activities of the OSCE in general and the role of the missions in this respect.

As I have said we are only at the beginning. It is not going to be easy and it is not going to improve overnight. It will be hard work, mistakes will be made and tears will be shed along the way, but it is the strong conviction of the Netherlands, Mr. Chairman, that there is no other way.

Thank you Mr Chairman.

## **CLOSING REMARKS**

**by Mr. Atanas Baltov, Head of “OSCE and Regional Security” Department,  
Ministry of Foreign Affairs of the Republic of Bulgaria**

Thank you Mr. Chairman,

Let me first reiterate the appreciation of the Minister of Foreign Affairs of the Republic of Bulgaria Dr. Solomon Passy of the wide participation in this seminar and especially of the result-oriented contribution to the lively debate in this hall in the last day and a half.

This is, indeed, what the Sofia event is all about. This is also testimony of the fact that the theme is well chosen. The credit for this goes to the incoming Dutch OSCE Chairmanship, supported in its endeavors by the Office of the Co-ordinator of OSCE Economic and Environmental Activities.

As the first out of three seminars in the run-up to Prague, the Sofia event is the stepping stone for the XI Economic Forum. The presentations on the part of the Rapporteurs and the summarizing remarks by Ambassador Daan Everts, including, to use your words, Mr. Chairman, his unconventional suggestions, are all, figuratively speaking, the insurance policy to the effect that in terms of substance this seminar has reached its goals in framing-up a further proactive OSCE course of action.

With your permission, Mr. Chairman, I will avail myself of this opportunity to extend words of gratitude to the teams of the Office of the Co-ordinator of OSCE Economic and Environmental Activities and of the incoming Dutch Chairmanship for their close co-operation. We greatly appreciate it, including in the light of Bulgaria's bid for the OSCE Chairmanship in 2004. We also appreciate the endeavors of the Bulgarian conference organizers, the CIM company, to translate into deed our desire to make you all feel at home in Sofia and contribute at your best to the common success.

Last week, taking into consideration the unfavorable weather forecast, we considered that during the seminar this force of circumstance should, in the least, be conducive to productive deliberations. Today, the deliverables are a fact. Moreover, we have a nice spell of weather and I wish you all to enjoy the remaining time in Sofia. And instead of good-bye – welcome to Bulgaria again.

## CONCLUDING REMARKS

**by Mr. Marcin Swiecicki, Co-ordinator of OSCE Economic and Environmental Activities**

Excellencies, Ladies and Gentlemen, dear colleagues,

On behalf of the OSCE Secretariat and the Portuguese Chairmanship, I would like to welcome you to our final plenary session. We come to the close of two very interesting days of discussions. As you have heard, there is a wealth of proposals, ideas and recommendations which have emerged and my office, together with the incoming Chairmanship, will carefully analyze all of them in order to prepare the agenda for the Economic Forum.

I have the pleasure to start our session by giving the floor to our rapporteurs. These reports will be part of the consolidated summary of this seminar which will be prepared by my office and which will be circulated to all OSCE participating States, as well as to all the participants. It will also be available to all of you on the OSCE website.

Our discussions over the last days and the recommendations will, on one hand, be taken into account in order to structure the agenda for the upcoming Forum. On the other hand, I believe that we heard a great number of ideas which are specific to this very topic and together with the Chairmanship, our field presences and partner organizations, we will analyze them for appropriate follow-up.

After hearing the rapporteurs, we will have time for a brief discussion, followed by the summarizing remarks on behalf of the incoming Chairmanship by Ambassador Everts, and closing remarks by Mr. Astanas Baltov, the representative of the host country Bulgaria.

I have the honour to give the floor to the rapporteurs:

- Mr. Matthieu Goodstein, OSCE Office in Yerevan, for the Working Group I entitled Production and Trafficking Networks.
- Ms. Ceylan Öskiper, Permanent Mission of Turkey to the OSCE, for the Working Group II – Trafficking and Economic Impact.
- Ms. Mary-Honor Kloeg, Ministry of Foreign Affairs, Netherlands, for the Working Group III – International Arms Brokering.
- Ms. Katherine Brucker, United States Mission to the OSCE, for the Working Group IV - Experiences and Future Issues.

Now I have the pleasure to give the floor to Ambassador Daan Everts, representative of the incoming Netherlands Chairmanship and to Mr. Astanas Baltov, the representative of the host country Bulgaria, for their summarizing remarks.

And now I would like to give the floor his closing remarks.

I would like to briefly comment on our discussions over the last two days.

I do believe that the seminar achieved its objective in shedding new perspectives on the economic impact of trafficking of small arms and light weapons. Through their inside knowledge, our speakers have provoked lively discussions and led us towards some very concrete recommendations for follow-up. There is a need to facilitate the implementation of existing regulations with regard to SALW production.

An exchange of information on stocks, production, legal trade and existing regulations regarding SALW was strongly recommended.

A pioneering study revealed that trafficking, together with other crimes, negatively affects the investment climate; further assessments of the indirect economic impact of trafficking are therefore necessary.

It was also voiced that there is a need for a regulatory framework with regard to brokering activities in SALW. A set of common guidelines in the OSCE, as a model for national legislation, might be developed. Better control through agreed definitions and best practices could be achieved, which was also illustrated in a number of concrete country case studies.

The issue of converting excessive military production capacity into civilian production was also raised.

Doubt was expressed whether existing financial and transportation regulations suffice to detect and prevent trafficking in SALW: Illicit trade is often serviced by legally operating banks and transport companies as some experts observed. Should new recommendations regarding financial and transport services be produced, remained an open issue at this seminar but deserves further examination before the next Economic Forum.

A number of other important suggestions have been made and I am looking forward, together with our Dutch colleagues, to carefully study all of them. The success of this seminar is encouraging for the upcoming seminars on trafficking on human beings and on drugs; this preparatory process will allow us to approach the three kinds of trafficking in a comprehensive manner. The recommendations will allow us to shape the agenda for the Economic Forum.

Before closing, I would once again like to thank the Government of Bulgaria, for hosting this seminar in the city of Sofia. I would also like to thank the incoming Dutch Chairmanship of the OSCE, and in particular Ambassador Everts and his team, for their invaluable support. And I would like to thank those delegations who, through a direct financial or substantial support, have greatly facilitated this seminar.

Our deliberations would of course not have been possible without all the participants in the event, and I would like to thank all of you for your invaluable support and contribution. I would especially like to thank our moderators, co-moderators, rapporteurs and lead speakers for engaging all of us in most stimulating discussions.

The contributions from the OSCE Missions, International Organizations as well as from the NGOs have confronted us with realities in the field and are thus of immense value for our future deliberations in Vienna, and I thank you all for it. I would also like to thank the staff of my office, for their dedication and an efficient organization of this event. And last, but not least, I would like to thank our interpreters, for their excellent work.

Excellencies, ladies and gentlemen, it was an honour and a great pleasure to be with all of you and I am looking forward to our continuing co-operation. Thank you and I wish all of you a safe journey to your home country.



## Organisation for Security and Co-operation in Europe

### The Secretariat

Office of the Co-ordinator of OSCE Economic and  
Environmental Activities

Vienna, 9 October 2002

11<sup>th</sup> OSCE Economic Forum.  
First Preparatory Seminar: National and International Economic Impact of  
Trafficking in Small Arms and Light Weapons  
*Sofia, Bulgaria, 11-12 November 2002.*

### INTRODUCTORY NOTE

Trafficking has become a prominent issue on the international agenda in recent years and it affects all OSCE states in all its dimensions. The OSCE Permanent Council Decision No. 490 stipulated that the theme of the Eleventh OSCE Economic Forum (Prague, Czech Republic, 20-23 May, 2003) is to be: "Trafficking in Human Beings, Drugs, Small Arms and Light Weapons: National and International Economic Impact". The economic perspectives, such as the root causes, the links between trafficking networks, financial flows, transportation routes, and the impact on the economy, have not been sufficiently analyzed to date and will be discussed as interrelated issues requiring joint action by OSCE states.

The seminar in Sofia, Bulgaria, is the first in a series of three preparatory seminars leading up to the Economic Forum. Each of the seminars will deal with a specific form of trafficking i.e. trafficking in small arms & light weapons; trafficking in human beings and trafficking in drugs. The three seminars will be instrumental in obtaining insight in the interlinkages between the various types of trafficking.

The Sofia seminar on 11 and 12 November 2002 will focus on the **economic impacts and impact of trafficking in Small Arms and Light Weapons**. The seminar aims to complement the work being done in the framework of the OSCE – FSC, as well as by other International Organizations, and to contribute to the formulation of a policy agenda on the trafficking in small arms and light weapons from an economic perspective.

During the **Opening Plenary Session** some basic ideas will be presented and thus provide a framework for the seminar. Dr. Peter Batchelor, Director of Small Arms Survey Project in Geneva, as the key note speaker, will give an introduction on the issues and problems involved in trafficking of Small Arms and Light Weapons, including some of the economic impacts.

### Working Groups.

The Opening session will be followed by three working groups. Recognized experts will introduce specific topics related to the theme of the working group. In addition the topics will be illustrated by country experiences, which will pave the way for discussion. The discussions are intended to generate a

better understanding of the consequences of trafficking in small arms and light weapons and help identify opportunities for political commitments, co-operation and joint activities among OSCE states.

**Working Group I** will be addressing **Trafficking and its Economic Impacts**. The first part of this Working Group will, *inter alia*, deal with the trafficking networks, the production, export and controlling of small arms and light weapons as well as with the trade and trafficking in these arms.

The second part of this Working Group will focus on the economic features, such as financial flows, money laundering and the impact of illegal trade on investment. Initiatives dealing with the destruction of surplus small arms and light weapons will also be addressed as well as the economic effects of these initiatives.

**Working Group II** will focus on the different dimensions of **Brokering**, ie. the mediation between supply and demand. It is aimed at addressing the link that brokering has with the trafficking in small arms and light weapons. This will be put against the background of the existing international instruments on brokering. In doing so the need for further action will be highlighted. Discussions should then lead to recommendations for actions to be taken to improve control over brokers and their activities.

**Working Group III** will aim to widen the debate on the strengthening of international agreement and co-operation in the **Future**. Taking into account the existing instruments like the UN Programme of Action (2001), the OSCE Document on Small Arms and Light Weapons (2000) and the UN Firearms Protocol (2001), possibilities for further progress will be addressed to be made in terms of international agreements, policies, actions and projects. This, additionally illustrated by a country case study, should help to develop an agenda for the future, focussing on the economic issues not yet dealt with and being complementary to the work of the OSCE-FSC.

In the **Closing Plenary Session** the reports from the various working groups will be presented, as well as recommendations for further action. Recommendations from this first preparatory seminar will provide valuable inputs for the Eleventh OSCE Economic Forum, to be held in Prague, Czech Republic, in May 2003. This seminar, together with the following two preparatory seminars, will add an economic perspective to the international policy agenda to combat the three specific forms of trafficking. They are instrumental and essential to the security and economic prosperity of all OSCE countries.



**Organization for Security and Co-operation in Europe**

**The Secretariat**

**Office of the Co-ordinator of OSCE Economic and  
Environmental Activities**

**Sofia, 11 November 2002**

11<sup>th</sup> OSCE Economic Forum.  
First Preparatory Seminar: National and International Economic Impact of  
Trafficking in Small Arms and Light Weapons  
*Sofia, Bulgaria, 11-12 November 2002*

**AGENDA**

**SUNDAY, 10 NOVEMBER 2002**

- 17:45** Pre-registration at the Conference Venue: Kempinski Hotel  
Zografski.(in front of Sofia Hall)
- 20: 00 - 22:00** Welcome Reception for participants at the Kempinski Hotel

**MONDAY, 11 NOVEMBER 2002**

- 8:00 – 9.30** Registration for participants at the conference venue.
- 9.30 – 11:00** **Opening Plenary** (Open to the Press) – Sofia Hall
- Opening remarks Mr. Marcin Swiecicki, Co-ordinator of OSCE Economic and  
Environmental Activities.
- Welcoming address H.E. Solomon Passy, Minister of Foreign Affairs, Republic of  
Bulgaria.
- Welcoming address H.E. Pedro Silva, Portuguese Ambassador to Bulgaria,  
Representative of the Chair-in-Office.
- Introductory remarks H.E. Daan Everts, Representative of the Incoming Dutch  
Chairmanship.
- Introductory remarks H.E. Leif Ulland, Special Advisor and Arms and Disarmament,  
Ministry of Foreign Affairs, Norway
- Keynote speech by Dr. Peter Batchelor, Project Director, Small Arms Survey Project,  
Graduate Institute of International Studies, Geneva, Switzerland.

Discussion (possibility for Press questions)

**11:00 -11:30** Coffee break

**MONDAY, 11 NOVEMBER 2002** (continuation)

**11.30 – 13.30 Working Group I – Production and Trafficking Networks** – Sofia Hall

**Moderator:** Mr. Bernardo Mariani, Saferworld UK.

**Rapporteur:** Mr. Matthieu Goodstein, OSCE Office in Yerevan.

**Introduction to the work of the OSCE, FSC and the current Instruments**

**Speaker:**

Ms. Kate Joseph, OSCE Conflict Prevention Center, FSC.

Discussion

**Production.** – Licensed production, movement of small arms into illicit circulation, illegal production, quantities.

**Speaker:**

Mr. Maxim Pyadushkin, Deputy Director Center for Analysis and Strategies (CAST), Russian Federation.

**Illicit Trade.** - Weapon flows, volume estimates, balance legal trade/illegal trade, working methods of SALW dealers.

**Speaker:**

Mr. Nicholas Marsh, Norway Initiative on Small Arms Transfers, NISAT, Oslo Norway.

**Country case study: Implementation of the Program on Fighting against Illegal Trade in SALW: Experience of Ukraine.**

**Speaker:**

Mr. Olexiy Sergyeyev, Deputy Head, Division on Monitoring of the Criminal Investigation Department , Ukraine.

Discussion.

**13: 30 – 14:30 Lunch**, offered by the OSCE.

**14:30 – 16:15 Working Group II - Trafficking and Economic Impact** - Sofia Hall

**Moderator:** Ms. Kate Joseph, OSCE FSC

**Rapporteur:** Ms. Ceylan Öskiper, Permanent Mission of Turkey to the OSCE.

**Financial flows/ money laundering.**

**Speaker:** Ms. Kathi Austin, Director Arms and Conflict Program, Fund for Peace, USA.

**Impact of illegal trade in Small Arms on Investment climates.**

**Speaker:**

Mr. James Owen, Senior economist from the Economist Intelligence Unit, UK.

**Tackling the accumulation and spread of Small Arms and Light Weapons - the economic impact.**

**Speaker:** Mr. Bernardo Mariani, Saferworld, UK.

## **MONDAY, 11 NOVEMBER 2002** (continuation)

### **Country case study. Albania.**

**Speaker:** Ms. Dolores Purova, Anti-Trafficking Office Directorate of Criminal Police, Ministry of Public Order, Albania.

### **Country case study. Weapons in Exchange for Development (WED), Albania.**

**Speaker:**  
Mr. Ilir Gedeshi, Coordinator, Center for Economic and Social Studies, Albania.

Discussion

**16:15 – 16:45** Coffee break

### **16:45 – 18:00 Working Group III – International Arms Brokering – Sofia Hall**

**Moderator:** Mr. Owen Greene, University of Bradford, UK.

**Rapporteur:** Ms. Mary-Honor Kloeg, Ministry of Foreign Affairs, Netherlands

### **Brokering and the link with Trafficking.**

**Speaker:**  
Ms. Kathi Austin, Director Arms and Conflict Program, Fund for Peace, USA.

### **International agreements and the way ahead.**

**Speaker:**  
Mr. Leif Arne Ulland, Ambassador - Special Advisor on Arms and Disarmament, Ministry of Foreign Affairs, Oslo, Norway.

### **Country case study**

#### **Brokering, Law and Practice in Poland. Financing and Transportation.**

**Speaker:** Mr. Andrzej Suda, Department of Security Policy, Ministry of Foreign Affairs, Warsaw, Poland.

Discussion.

**19.30** Reception hosted by H.E. Mr. Solomon Passy, Minister of Foreign Affairs of the Republic of Bulgaria, Boyana Residence, Villa 2.

## **TUESDAY, 12 NOVEMBER 2002**

### **9.00 – 11.00 Working Group IV : Experiences and Future Issues – Sofia Hall**

**Moderator:** Mr. Peter Batchelor, Small Arms Survey Project, Graduate Institute of International Studies, Geneva, Switzerland.

**Rapporteur:** Ms. Katherine Brucker, United States Mission to the OSCE.

**TUESDAY, 12 NOVEMBER 2002** (continuation)

**Customs experience: the US - Bulgarian co-operation**

**Speaker:** Mr. John Chambers, US Customs Service Projects.

**Role of Law Enforcement, Customs co-operation, sharing of information.**

**Speaker:**

Col. Agron Sojati, SouthEast European Co-operation Initiative (SECI), Romania.

**Agenda for the Future: Issues and Priorities**

**Speaker:** Mr. Owen Greene, University of Bradford, UK.

Discussion.

**11.00 – 11.45 Coffee Break**

**11.45 – 13.00 Closing Plenary Session – Conclusion and Recommendations** (Open to the Press)

Presentations by the Rapporteurs (4 sessions \* 10 minutes)

Discussion.

Summarising Remarks H.E. Daan Everts, Representative of the Incoming Dutch Chairmanship.

Closing Remarks Mr. Atanas Baltov, Ministry of Foreign Affairs, Bulgaria

Closure Mr. Marcin Swiecicki, Co-ordinator of OSCE Economic and Environmental Activities.



**Organization for Security and Co-operation in Europe**

**The Secretariat**

**Office of the Co-ordinator of OSCE Economic and  
Environmental Activities**

**Vienna, 12 November 2002**

11<sup>th</sup> OSCE Economic Forum.  
First Preparatory Seminar: National and International Economic Impact of  
Trafficking in Small Arms and Light Weapons  
*Sofia, Bulgaria, 11-12 November 2002*

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## LIST OF DISTRIBUTED DOCUMENTS

1. Illegal production, exports and governmental control in Bulgaria, Mr. Alexander Neofitov, Research Fellow, Economic Police Institute, Sofia, Bulgaria
2. Trafficking small arms and light weapons eradication through the integration of regional disarmament programs in South eastern Europe, Ph. D. N. D. Sc Sreten Cupic – Ph. D. Ecs. Todor Mirkovic.
3. Production – licensed production, movement of small arms into illicit circulation, illegal production, quantities (*speech*) Mr. Maxim Pyadushkin, Deputy Director, Center for Analysis and Strategies CAST.
4. Small arms and light weapons, the work of the OSCE, OSCE, The Secretariat.
5. Crime, Security and FDI: a pilot study (*speech*) Mr. James Owen, EIU, UK.
6. Introductory note of the First Preparatory Seminar: National and International Economic Impact of Trafficking in Small Arms and Light Weapons, Sofia, Bulgaria, 11-12 November 2002
7. Brokering: Law and practice in Poland. Talking points (*speech*), Mr. Andrzej Suda, Department of Security Policy, Ministry of Foreign Affairs, Poland.
8. OSCE Document on Small Arms and Light Weapons – fsc.doc/1/00, 24 November 2000.
9. ????????? ???? ? ?????? ? ?????????? ?????? – fsc.doc/1/00, 24 ?????? 2000 ?????, Russian – Original: English.
10. OSCE OCEEA – Newsletter “Recent Events, OCEEA Fall 2002”.
11. Transfer and withdrawal of weapons from the Caucasus (*speech*) Mr. Maxim Piadushkin, Deputy Director, Center for Analysis and Strategies CAST
12. Tackling the accumulation and spread of small arms and light weapons (SALW) – the economic impact (*speech*, Mr. Bernardo Mariani, Safeworld, UK.
13. Introduction to the work of the OSCE within the FSC (*speech*), Ms. Kate Joseph, OSCE CPC.
14. Economic impact of trafficking in SALW (*speech*), Dr. Peter Batchelor, Project Director, Small Arms Survey Project, Graduate Institute of International Studies, Switzerland.
15. Statement by H.E. Stephan M. Minikes, Ambassador Extraordinary and Plenipotentiary , US Mission to the OSCE.
16. Arms trafficking – flows and methods (*speech*) Mr. Nicholas Marsch, Norway Institute of Small Arms Transfers, NISAT, Norway.
17. Presentation of the EURISK Foundation, Dr. Liviu Muresan, President EURISC Foundation, Bucharest, Romania
18. Introductory remarks, Opening Plenary, H. E. Daan Everts, Representative of the Incoming Chairmanship.
19. Production, licensed production, movement of small arms into illicit circulation, illegal production, quantities, Mr. Maxim Pyadushkin, CAST Deputy Director.
20. Introductory remarks, Opening Plenary (*speech*), H.E. Leif A. Ulland, Special Advisor and Arms and Disarmament, Ministry of Foreign Affairs, Norway –Leif A. Ulland, Ministry of Foreign Affairs, Oslo – “*Arms brokerage. International agreement and the way ahead*” (*speech*).
21. SEESAC – South Eastern Europe Clearinghouse for the Control of Small Arms & Light Weapons : Short Mission Report, SEESAC Consultation in Bulgaria, 8-10 July 2002, Mr. Henry van der Graaf & Mr. Craig Rutherford.
22. Welcoming Address, Opening Plenary (*Speech*) H.E. Solomon Passy, Minister of Foreign Affairs, Republic of Bulgaria.
23. Arms Trade, Human Rights and European Union Enlargement- The record of candidate countries, October 8, 2002, Human Rights Watch.
24. Annual Information on SALW Identified as Surplus and/or Seized and Destroyed
25. ? ?????? ??????????? – “? ?????????? ? ?????? ????? ?? ? ??????????”

26. Customs Experience: the US – Bulgarian co-operation. United States Government Export Control and Border Security Program OSCE Preparatory Seminar (Speech), Mr. John Chambers, US Customs Service Projects.
27. Opening remarks, Opening Plenary (Speech) Mr. Marc Baltes, Deputy Co-ordinator for OSCE Economic and Environmental Activities.
28. Role of Law Enforcement, Customs co-operation, sharing of information (Speech), Colonel Agron Sojati, SouthEast European Co-operation Initiative (SECI), Romania
29. Introduction to the First Preparatory Seminar for the 11<sup>th</sup> OSCE Economic Forum: National and International Economic Impact of Trafficking in SALW, Permanent Representation of the Netherlands to the OSCE .
30. Financial Flows / Money Laundering (speech), Ms. Kathi Austin, Director Arms and Conflict Program, Fund for Peace, USA.
31. The Bulgarian Legislation of Arms Brokering – unofficial translation, MFA Bulgaria.
32. Law on the control of foreign trade activity in arms and in Dual-Use Goods and Technologies (adopted 1996, in force 3.Sept. 2002) Bulgaria.
33. Model Convention on the Registration of Arms Brokers and the Suppression of Unlicensed Arms Brokering , The Fund for Peace, N.Y. July 9-20, 2001 (<http://www.fundforpeace.org>).
34. Casting the Net? Implications of the U.S. Law on Arms Brokering, Ms. Loretta Bondi and Ms. Elise Keppler, The Fund for Peace.
35. Arms Division Publication List, Human Rights Watch .
36. OSCE – In focus, Border control training, Combating arms trafficking at the Uzbek-Afghan Border. 14.11.2002 (see [www.osce.org](http://www.osce.org))
37. Ms. Dolores Purova ,Anti-Trafficking Office Directorate of Criminal Police, Ministry of Public Order, Albania: “Tackling the accumulation and spread of Small Arms and Light Weapons - the economic impact – Country Case Study: Albania” (speech).
38. Illegal production, exports and governmental control in Bulgaria, Mr. Alexander Neofitov, Research Fellow, Economic Policy Institute, Sofia, Bulgaria.
39. Draft list of participants.

*Copies of the above listed documents can be obtained through the Office of the Co-ordinator for OSCE Economic and Environmental Activities, Kärntner Ring 5-7, 1010 Vienna, Austria, Tel: +43 1 51436 575, Fax: +43 1 51436 96, email: [andrea.gredler@osce.org](mailto:andrea.gredler@osce.org)*