STRATEGIC TRADE RISK ASSESSMENT MATRIX: PHILIPPINE APPROACH ON LICENSING REVIEW AND EVALUATION

BRAVO, ALETHEA C., SALAZAR, DOMINA PIA S.

Department of Trade and Industry – Strategic Trade Management Office (DTI-STMO), Makati City, Philippines
AletheaBravo@dti.gov.ph; DominaPiaSalazar@dti.gov.ph

1. Background and Goal of the Present Work

The Strategic Trade Management Act (STMA) of 2015 is the Philippine legal and regulatory framework to prevent the proliferation of weapons of mass destruction (WMDs) and their means of delivery, maintain international peace and security, and promote economic growth by facilitating international trade through the responsible management of strategic goods and the provision of related services. This is consistent with international instruments on nonproliferation and disarmament such as the United Nations Security Council Resolution 1540 (2004), Nuclear Non-Proliferation Treaty, Chemical Weapons Convention, Biological and Toxin Weapons Convention, and Treaty on the Prohibition of Nuclear Weapons, among others.

The management of strategic goods is carried out through the authorization requirement for the cross-border trade in strategic goods. Evaluation of authorization is based on the risk assessment criteria stipulated in the STMA. Pursuant to the STMA risk assessment, the Registration and Authorization Division (RAD) of the Department of Trade and Industry - Strategic Trade Management Office (DTI-STMO) formulated its Risk Assessment Matrix. It defines the level of risk by considering the probability or likelihood of a risk to happen against the consequence or severity once the risk happens. It is a mechanism widely used to increase the visibility of risks to arrive at a decision.

DTI-STMO's Strategic Trade Risk Assessment Matrix (STRAM) aims to increase efficiency and provide a uniform method of evaluation of a license application. It integrates different licensing criteria/ parameters and defines the likelihood of a risk happening vis-à-vis consequence. This applies not only to nuclear materials, equipment, and technology but also to other dual-use and military goods.

This poster presentation describes the Philippine approach to developing and using the STRAM as part of its licensing review and evaluation.

2. Strategic Trade Risk Assessment Matrix

The proponents applied the following process to come up with a systematic way of formulating a risk assessment, specifically to identify all significant risks, assess the likelihood of the risks happening, and identify the consequences.

2.1. Risk Identification

In general, it is important to identify first all significant risks affecting a certain scenario, whether these are inherently (internal) or externally influenced. In the Philippines, the risks associated with nonproliferation are outlined under Rule IV, Section 6 of the STMA Implementing Rules and Regulations (IRR).

Figure 1. STMA IRR Risk Assessment Criteria

These are the criteria used by DTI-STMO in deciding whether a license application should be approved or denied.

2.2 Likelihood and Consequence

Likelihood and consequence rely on the elements of a licensing review process. The elements' points of convergence/overlap are used to cluster the diverse risk assessment criteria.

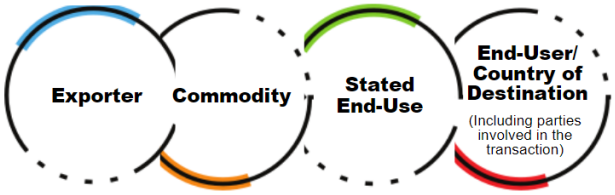

Figure 2. Licensing Review Elements

In the Philippine process, the profiling and review of exporters already happen during registration. It is during the licensing application that the commodity, stated end-use, and end-user/destination country are thoroughly reviewed and evaluated.

For **commodity assessment**, it looks into the appropriateness of stated specification and quantity. For end-use, it looks into the sensitivity of goods (tiering based on the Philippines' control list, the National Strategic Goods List) and proliferation concern (consistency of stated end-use and end-user activity). For end-user, it looks into the diversion to unauthorized end-users or possible connections/ involvement with restricted persons and the risk of illegal end-use by end-user and their customers, intermediaries, associates, and other parties to the transaction. Lastly, the countries of destination are tiered based on the strategic trade elements, Philippine foreign policies, and compliance to international instruments on nonproliferation.

2.3 Scoring and Corresponding Course of Action

Evaluation is done by applying cross-analysis between overlapping elements. It includes qualitative descriptions that cover essential licensing elements with an assigned quantitative/numerical equivalent. The likelihood and the consequences of a risk is determined through a rubric with values from one to five (1-5), where one means highly unlikely and five means certain risk.

RA	Factor A	X	Factor B
1	Commodity	X	End-Use
2	End-Use	X	End-User
3	End-User	X	Country of Destination

Figure 3. Risk Factors

RA 1 pertains to the possibility of the items being weaponized, regardless of the recipient or end-user. RA2 pertains to the possible diversion given a certain end-use of a certain end-user. RA 3 pertains to the probability of being an illegal end-user/person with malicious intent, regardless of the item wanting to acquire. These RAs are important as licensing officers rely on the individual results for possible conditions or courses of action.

	Very Unlikely	Unlikely	Possible	Likely	Definite
Definite	5	10	15	20	25
Likely	4	8	12	16	20
Possible	3	6	9	12	15
Unlikely	2	4	6	8	10
Very Unlikely	1	2	3	4	5

Figure 4. Risk Scoring

The overall risk score is determined by getting the average of multiplied factors. The decision on the approval of the license application depends on the overall risk score calculated which can be seen in the table provided below.

Indicators	Course of Action
Extreme	Deny and investigate further Refer incident to/seek assistance with OPCW/ BWC-ISU/ IAEA/ UNODA
High	Request and/or convene NSC-STMCom Subcommittee for recommendation(s)
Moderate	Approve with specific condition(s)
Low	Approve with normal condition(s)

Figure 5 Possible Courses of Action

3. Application

DTI-STMO licensing officers currently utilize this tool in evaluating licensing applications involving export transactions. This provides a uniform and objective method of assessing a license application that balances trade and national security interests. Moreover, STRAM increases efficiency in terms of application assessment to comply with the processing time. The tool provides informed conclusions and appropriate/ evidence-based decision-making, as well as a structured course of action for all parties to the transaction.

4. Recommendations for Improvement

The STRAM could be expanded to become applicable to other STMA services such as transit, transshipment, re-export, reassignment, and related services (brokering, transportation, financing, and technical assistance).