



2011 CARNEGIE INTERNATIONAL NUCLEAR POLICY CONFERENCE

ATOMS FOR PEACE

MONDAY, MARCH 28, 2011
12:30 PM – 2:00 PM
WASHINGTON, D.C.

CHAIR:

Ariel Levite

Carnegie Endowment for International Peace

SPEAKER:

Andreas Widl

CEO, Oerlikon Leybold Vacuum

Transcript by Federal News Service
Washington, D.C.

DALTON: I know it's customary that we'd typically let you have your dessert before we start to interrupt the meal but due to a series of events beyond our control, we need to interject a little bit earlier today. So we'll beg your forgiveness.

[00:00:20]

First of all, I should say that hopefully you've had a chance to look at the program and notice this flaming green addendum which tells you that Tom Donilon is not going to be speaking today, unfortunately. He was sent to California to represent the president at Warren Christopher's funeral. He will, however, be speaking tomorrow afternoon. So if you have a chance, please join us again tomorrow afternoon to hear his remarks.

My name is Toby Dalton. I'm the deputy director of the nuclear policy program at the Carnegie Endowment. And it's my great pleasure to introduce this next panel. We've titled this panel "Atoms for Peace" but this is not to suggest that we're going to revisit the 1950's. In fact, we're sort of looking a little bit ahead here and trying to frame an idea that in the 21st century nuclear governance is a shared responsibility, not just among states but also among nuclear industry.

Now, I think, fairly or unfairly, nuclear industry has often been cast in the role of bad guy in proliferation discussions. But to the extent that nuclear governance will be strengthened in coming decades, particularly as more countries explore nuclear power, perhaps as our previous panel on Japan discussed, and there continues to be actors in the system who try to exploit gaps for illicit trade, I think nuclear industry has to be part of the process and the solution.

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So in that regard we're very pleased to have with us Dr. Andreas Widl, who is the CEO of Oerlikon Leybold Vacuum, which is a firm that supplies sensitive nuclear technologies, among others to offer some thoughts on these issues and hopefully some pragmatic ideas that industry can take to play a positive role in preventing proliferation.

Dr. Widl has had a distinguished career which he began as a technology and innovation manager at the former Mannesmann Corporation. He worked at General Electric Capital before joining the Swiss Oerlikon Corporation in 2004. He went on to head Oerlikon's Asia regional work and was managing director in Shanghai before becoming chief technology officer in 2007. Dr. Widl has a Ph.D. in applied physics.

After Dr. Widl's remarks, Eli Levite of the Carnegie Endowment will moderate some discussion on this issue including on corporate responsibility in preventing proliferation. Please join me in welcoming to the podium Dr. Andreas Widl. (Applause.)

WIDL: Ladies and gentlemen, first of all, can you hear me well? As well in the back? First of all, thank you very much, Carnegie Endowment, for this invitation and the kind introduction. And for me it's an absolute privilege to address this keynote to such a distinguished audience.

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I prepared some slides but we decided that the setup – with all of the changes it does not make sense to provide any slides. But we put them online on the server. When I was preparing my papers for today, the devastating events in Japan caught up with me and since, they've become clear that they will have serious nuclear effects in Japan and therefore the world, the people and, finally, the economy.

We can all see that the global awareness for all issues connected with nuclear power is rising, rightfully so. Yet I am grateful to be the CEO of Leybold today and not some 30 years ago when nuclear proliferation was widely spread and the Leybold brand was tainted by dubious activities of a few individuals.

Most companies have some of this Jurassic business in their history but the lessons learned, the lessons we have learned are what counts today. We learned that there are two major aspects to nuclear power: number one, nuclear weapons and the pressing demands to strengthen nuclear disarmament; and, second, the civil use of nuclear energy, meeting the world's rising need for electricity entailing the pressing demand for stronger and comprehensive safeguard systems and global efforts to combat nuclear proliferation.

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Both fields of nuclear use are dependent on deliveries from industrial partners in both areas. The opportunities for nuclear proliferation are vast. Of course proliferation is to some extent hindered by export control regulations. For decades – sorry, for decades the media are reporting on illegal shipments of high-tech commodities with most nuclear-related end uses. In the worst case, the final destination is a clandestine undeclared plant of highly enriched uranium fabrication.

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While state actors drive the ambition to nuclear projects towards completion, it is often private companies trying to procure what is required for the nuclear activities. Those at the delivery end of the supply chain are also private entities, either middlemen or manufacturers of products. The IAEA already has access to information related to attempted, intercepted and ceased export shipments and it knows about successful illegal transactions once these become known.

However, there are many more traces out there, visible traces left by those who try to procure high-technology items. In many cases, states with clandestine nuclear ambitions have not the industrial infrastructure to produce all required goods themselves, within their own borders. Therefore they have to target and contact potential suppliers in other countries.

In recent years many supplier countries have intensified their awareness-raising programs and intensified the industrial outreach. There are companies receiving inquiries which they may not be able or do not want to serve – maybe because they see no chance to obtain an export license or they don't want such business for ethical reasons.

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Such data, available in companies and only occasionally shared by companies with government authorities in member states should be made accessible on a broader front and also be shared with the IAEA. In a large-scale approach, this would lead to an ad-hoc improvement of the verification efforts and help establish a unique early warning system.

The IAEA needs effective help from more member states primarily with regard to information sharing as well as effective support of the IAEA procurement outreach program. To share procurement data will not cost industry or respective member states authorities' money. Forwarding an e-mail is as simple as a mouse click. And companies will feel rewarded by knowing they did the right thing. Supporting the global fight against potential nuclear terrorism and proliferation is in itself rewarding. And besides the IAEA and our security authorities, the biggest winner of this simple approach will be us, the population of the global village.

Industry can indeed do a lot to slow down or even hinder illegal nuclear trade. So who is Leybold? And I was supposed to show you a slide about our setup of the company so I'll do it – I'll try to visualize it like this. The Oerlikon group is a Swiss company with roughly 16,000 employees and we're dealing in four business – six business segments. We are active in the textile business, drive systems; we provide gear boxes. One division is building solar systems (and some thermal ?) equipment. Balzers coating is part of our group. We have a smaller group which is dealing with advanced technologies, as well related to coating. And one division is dealing with vacuum, which I'm proud to head.

The core of awareness, related export-control regulations is positive knowledge of the exporter about weapons of mass destruction or missile land use. Only very few – excuse me, only very few countries go beyond this and constitute license requirements if the exporter has reasons to believe or grounds for suspecting any such end use. Countries initiating a WMD program will strive to cover their intention. The country will do everything it can to make in order to – the country will do everything it can make to ensure that the program is camouflaged. Most of the operations are run by intelligence service and nothing leaks out.

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You will hardly ever be approached by any customer representative explaining to you that there is a military end use nor will you ever be shown any drawings or documents that would enable you to file a license application (or in ?) the positive knowledge you might have.

The goal of this speech is not to criticize export control. They have their full justification and are as good as everything else man-made. There are quite a few countries that work hard to introduce good and high-level export controls

and other countries which work equally hard to help these countries to develop and implement this tool. Yet, like any other tool, there is a limit to its functions and capabilities.

Export controls are not enough to counter (their ?) proliferation purposes. It takes more than another efficient tool as well as dedicated group of mechanics interacting as a team with one common goal: to fight illicit nuclear trade. Today we are focusing on a potentially powerful new member, industry. Hopefully the aforesaid makes clear that the IAEA does not have the smallest interest to become yet another player on the export-control schoolyard.

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An additional export-control agency will not help anybody. And also stricter export controls will not lead to greater success. We would just build higher hurdles for legitimate trade without moving a little step closer towards our goal, that is the early detection of unlawful programs or at least the late identification.

Industry and trade can play an important part in the prevention of proliferation of WMD and missiles. Proliferation is dependent on important large quantities of high-technology components and products. So they have to be exported by producing or selling companies. Trade always leaves traces identified by industry and so the attempts of illicit procurement, we still see many inquiries coming through on already known channels and often from the same, still-existing front companies. For us as a supplier of vacuum components, systems and spheres, the shopping list still contains the same items.

Despite all efforts, there is still a large-scale procurement out there for unlawful purposes. And this reveals a very simple fact: The countries engaging in illegal procurement, illegal programs, mostly do not have the resources and the capabilities to produce the required technologies domestically. They depend on a limited number of exporting companies in order to obtain what is required.

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This leads to an interesting question: What would happen if all potential suppliers refused to deliver or if many of these suppliers would be willing to share their insights on dubious inquiries, reported these voluntarily to government authorities and via these to the IAEA? As a matter of fact, industry is in the front line of defense when it comes to stopping procurement for nuclear enrichment, WMD and missiles. These trade traces, however, will hardly be available for governmental authorities unless the company for whatever reason chooses to communicate and actively forward this information to the authorities.

Procurement for illicit programs starts just as any other trade process within the supply chain. It starts with a requirement, an inquiry to a potential supplier leading to a quotation. Negotiations might follow resulting in a customer order or contract, an order confirmation followed by a production process. Then shipping procedures ensue through a forwarding company and it will finally involve the financial system for payments. Many actors in industry, trade and transportation and finance are involved. But the most suitable partner for the identification of what might be suspicious or illicit requirement is the manufacturer and exporter of the goods involved. He has the best overall survey with regards to the entire transaction, the suitability of the product for the claimed end use and the judgment on its plausibility.

Maybe there are protocols of red flags that would make the company suspicious. And a good internal compliance system would help the company to identify if identical or similar inquiries or orders were rejected. Often similar requests come either from the same company to multiple affiliates of the producer or from a different entity in another country but with the same technical specification and for the identical quantities.

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Here is just a recent case: There was an inquiry from an e-mail account in the U.K. following an entry in the U.S. search registry into our U.S.-affiliated company. The products are standard items. No export licenses are necessary at all. Without the information of our German authorities that these items were on the shopping list of a certain country, we would have not noticed anything extraordinary. Alerted, we searched our database and found those independent inquiries from several countries to several of our offices. Consequently, we did not quote but shared all cases with the authorities, helping them to see the larger picture and add several names to their database.

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Please keep in mind that vacuum is an indispensable enabler of many state-of-the-art processes but also engine technologies like electromagnetic isotope separation or first-generation ultracentrifuges requires still the same vacuum components. The same applies for processes in connection with missiles, be it in handling the propellants, the coating of electro-optic devices, the manufacture and testing of gyros or the high-altitude simulation: Vacuum is simply a must.

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The inquiries we receive and do not serve have huge coverage. It could be just a set of spare gaskets for vacuum pumps delivered back in the 1980's. If you allow these spare parts to reach the final destination they will enable the operator to replace the gaskets and the pump will continue to work in the process in which we do not want it to work.

We often hear questions from our sales force, whether we can perhaps define a group of harmless parts which they can then sell without any concerns and without being so cautious. Looking at the seemingly harmless spare part or the standard product and the not-so-harmless processes involved, you will understand why our answer is always no.

There are hundreds of such suspicious inquiries and our company rejected business with a total value of major double-digit millions, voluntarily. Our international export control group is working as we have – excuse me, our international export control group is working as what we call a centralized detection hub. We operate subsidiaries in 17 countries. We train the global sales force, service technicians, auto management group, product managers and everybody else who might have customer contact to be clear about it: To combat illicit procurement is not enough to concentrate on a handful of wrongdoing countries. In brief, all countries qualify for diversion of equipment and illegitimate procurement.

And this is one of the reasons why we centralized the matter. If we discover a particularly tricky or dangerous procurement attempt, we send a warning to our subsidiaries. In spring 1992, the Leybold AG, at that time a German high-tech group with several thousand employees and two major hubs in Hanau, near Frankfurt and Cologne, introduced a voluntarily self-restraint in export matters. It became known as the Leybold charter.

So when you go to the server you will see all of this information on how this charter looks like. It demanded that all employees should strictly adhere to our company business ethics and export-control procedures. The charter also had – and still has – a clause that we do not engage in a business if we have and even after receipt of end-user declaration continued concern regarding the end use of the goods we were asked to deliver.

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You may imagine that after a short while we received a bunch of inquiries that were not to be turned into business. These inquiries included requirements from embargoed destinations as well as nuclear and missile programs in several countries.

Now, I wanted to show you a slide about how much information gets lost because the governmental institution cannot see it but, again, you will see the slides on the server and then think it's more comprehensible.

So the slide I cannot show you will show – (laughter) – how much information is available in industry and how much is lost when this information remains in our company's archives or ends up just in the trash bin – lost for government authorities and the IAEA. Authorities do have certain access to information that may be relevant for the prevention of proliferation and they have access to data they can get out of export-control license applications. But all of the rest is unavailable unless actively communicated and voluntarily shared by industry.

Doing our trainings for subsidiaries and in particular doing export-control outreach seminars in a variety of countries, we found out that there is often little or no knowledge on laws and regulations which prevail in the respective countries. Many companies have very little awareness, do not screen their product portfolio against the current export control list or against sanctioned party lists.

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It has to be assumed that there are still many shipments that go out without any license, the necessary license, and that the exporter simply does not know that there is a license requirement. There are, of course, also cases in which an

exporter chooses to ship without license deliberately, be it by means of false custom tariff numbers, product description, incorrect country of final destination or whatever he deems necessary to execute on his business.

The largest group by far is the huge quantity of inquiries, normal and illegal ones, that the exporting companies do not execute for very different reasons. Yet these companies are often able to discern between a normal inquiry and a potentially problematic one. And the latter are exactly the ones the government authorities should be informed about.

If government authorities and the IAEA had better access to this many puzzle pieces, they could certainly analyze these, get a better feel for newly developing nuclear ambitions of countries that have not shown such interest so far. In any case, industry, government, information and fearless communication with government officials is an indispensable verification tool that effective safeguards need. Other tools are already in use such as physical inspection, surveillance cameras, environmental tests and satellite imagery.

Industrial information would just be another tool in the toolbox. We do not try to persuade other companies to follow our example. Industrial leaders have to come to their own conclusions regarding their ultimate social responsibility and to reduce the threat caused by the world's most dangerous weapons.

What separates us from other species is the free will to decide to do good, to act socially responsible. Is it acceptable to execute on business in the gray area where the knowledge of unlawful purposes is perceived but where laws do not work efficiently enough? Is generating share- and stakeholder value limited to the fiscal bottom line?

[00:20:56]

Our stakeholders rely on us to maintain certain if not the highest moral and business ethics for ourselves, the social surrounding and for our future. From my experience, the last thing that exporting companies will want to do is to create problems for themselves. No one is really looking forward to a visit of officials because they have a legal obligation to investigate the company after they have learned about a potential violation.

If we want these companies to share information, we have to create a culture of mutual trust and understanding. In particular, companies must be enabled to share such information without having to be afraid that the voluntarily supplied information will be turned and used against them. Some companies will already have achieved the high level of social responsibility, adhere to compliance guidance and might easily be – want to participate.

For other companies, enticement programs might be conceivable: for example, with incentives from the financial communities or specialized export procedures. Yet we have to keep in mind that the work of industry requires legal framework, manpower and the skills, including technical understanding. Authorities may face new challenges regarding the education of their officials and may soon come to a point where they obtain much more information than they can digest.

Moreover, the IAEA has a chronic disease: the shortage of funds and human capacity. It should be ensured that there is enough mental and other resources to manage the information flow in a timely manner. And there should be a broader stream of shared information from many more member states. Nuclear security, global stability and world peace are not available for free. If this is our belief and if you think like that after globalization of proliferation, also counterproliferation should indeed become global. We ought to have more tools in the box.

We should then take the necessary next steps, create appropriate working conditions and provide the resources necessary. Dear ladies and gentlemen, let me finish by quoting Mr. Einstein, a famous physicist. (Laughter.) He said, “Concern for man and his fate must always form the chief interest of all technical endeavors. Never forget this in the midst of your diagrams and equations” – and I would add, business plans. Thank you very much for your attention. (Applause.)

LEVITE: Two notes of thanks and one of apology. One is to Andreas for a very inspiring talk; the other one is for showing remarkable flexibility when we pushed this around a couple of times to accommodate the change as a result of the national security advisor being unavailable today.

[00:23:46]

And the apology is that I'm your designated moderator on two panels in a row. That clearly was not part of the

game plan – so my apologies. Very quick question to you, Andreas, and then we'll open it for questions from the audience: Would you try to tackle a few of the practical issues associated with trying to promote such a norm? How do you overcome antitrust problems? How do you overcome problems of commercially sensitive information exchange between corporations? How do you overcome problems of commercially sensitive information exchange with the government and their ability to protect that information?

What happens if this becomes only a regime of the likeminded and others are not really part of it? And it's commercially advantageous for them to remain outside of such an exercise? What do you really do when you see that someone has signed on doesn't play by the rules of which it did sign on, where all of this is based on, on trust and so on?

So, basically, if we want to take this corporate social responsibility one step higher and make it beyond the vacuum, sort of, general producers and so on, what do we need to think of in terms of the practical arrangements that are necessary in order to make this a viable proposition?

WIDL: Well, first of all, let me comment on that entire topic as a CEO. If anything happens, if any product, what we generate, produce, sell – we produce in China as well as in Europe (and in Iran ?) I have a problem because I go to prison. This is something, a very serious matter. So if two things keep you awake at night, it may be that it might be something like product liability, if you're an industrial company, and the second pieces would be subject to export control. So it's my sincere interest to ensure that the processes are running fine.

There is a well-established German model – after they were pretty lax, I think, in the '80s; they set up a good model where the authorities, the institutions and the industries working closely together. And I think that has been established long before I took over that business. So I cannot take the credit. But what I see is we have been building up a very close relationship with some governmental authorities since 20 years.

And what's happening is that we inform the government if we have a questionable inquiry and as well the government or this institution is informing us. Not everything is black and white – and that's the problem. I think what you have to establish is a trustworthy communication between industry and that governmental institution where you can discuss or you can address issues without triggering a direct legal action which could harm the business or anything else.

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The other piece, the antitrust issue, is something. If you share company information, I don't want my competitor – to entertain him and to educate him. So it must be, I think, a neutral authority you're dealing with, which is collecting the information and as well feeding back that information to the company. So if that is something you consider to establish in U.S. – and I think it would be very, very helpful – it should be something like a trusted partner you're dealing with because, otherwise, you could directly run into the antitrust issues that you share company information. And somebody might consider that as this is unlawful or from a competition point of view it's unethical.

So established relationships, maybe one-to-one contact, as well information you can access in order to collect, that you get the broader picture. We get, almost on a daily basis, we receive inquiries and we look over that. They go through our system and then we directly see, this is going through Ukraine maybe to Ireland or somewhere else.

And there are multiple countries which are having middlemen, or established there in order to generate those deals. And the interesting piece is it's always the same pattern: the same amount, it's the same specifications, specific products. So we know. And if you add this information together with a centralized database, you have an early-warning system which would work well.

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But you had a couple of questions. First of all, I have the strongest interest that my products end up where they're supposed to be. And secondly I want to know as early – if anything turns sour, if you run a business and everyday something turns sour, as you might imagine, you want to know upfront and very early because you can counteract. And, thirdly, if you address it, you don't want to have an atmosphere where the messenger boy is shot. So, you know, sometimes things happen; you need to address it and then you have to solve those issues.

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LEVITE: Well, obviously, the incentive structure is not identical in every single country.

WIDL: That's true. But the incentive for me is that we are compliant. It's not about money when we do that.

LEVITE: One last question on my part: How does one diffuse criticism that is likely to come from those who argue that this is a cartel, this is all about technology denial from the developed to developing and so on; you're just finding all kinds of excuses why not to supply them and hold onto the technology so they don't get, for example, to enrich uranium.

WIDL: That's actually not the case. We don't see that. But what I see is many times we get inquiries and then we process it through the normal system in Germany and it takes sometimes a couple of weeks. And when we come back to our salespeople the deal is lost because somebody else took it.

But then often it turns out later on this thing was directly going in the wrong direction. So we did not have any kind of a response from companies saying, this is discrimination. I haven't seen that. And, by the way, may I add, I just quickly spoke about Leybold, Oerlikon, and I said we have these six segments. But out of the six segments, each segment actually has products which are subject to export control. In textile, if you produce carbon fibers, they could be used for something. If you produce gear boxes, they go in tanks and somewhere else. So there are many areas maybe you wouldn't be just aware of. Vacuum is obvious. But in many businesses there are products which are subject to export control and often people don't know. And people who run the business don't know that this is something which could be critical.

LEVITE: Thank you. Questions from the audience? Please.

Q: Do you have microphones?

WIDL: There is a mike over there.

LEVITE: They're trying to make their way to you. Please identify yourself.

[00:30:27]

Q: My name is John Gardenier. I'm a retired naval intelligence officer. And for a while in the 1980s my Reserve unit had the honor of supporting the office in the Pentagon that was running what's called COCOM. And that was an international set of countries, mainly based around NATO, that tried to deal with this specific issue, the control of dual-use technologies. And many of them mechanized the mechanics of things getting into the wrong hands; were very complex, as you've alluded to.

But there were problems. The interests of Defense, Commerce and State Departments within the U.S. were not always aligned. The different countries had different concepts and sometimes there were suspicions among the countries that somebody was trying to control an export not because it was dangerous but because they wanted to compete against – another country wanted to compete against it. How do you achieve effective international coordination, which is necessary to accomplish the mission that you're talking about?

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WIDL: Sir, I can just speak for the company. And we have one database, a centralized database. And whatever happens – not just at Leybold, as well in the other subsidiaries – we collect this information and then we have a very close relationship with the BAFA which is the national office for export control.

And the BAFA – there is another office, which is the BND (ph); they are dealing with the international topics and affairs. We organize ourselves as a company internally and then we rely on information we receive from the institutions. So I cannot comment on how the – let's say the governmental institutions internationally cooperate. But I am sure this is subject to politics as well: What do you share? What do you give out? What do you get back? In all of these matters, I always comment I am a businessman; I just want to make sure our business processes are compliant and we are successful and we are apparently generating shareholder value.

Internally, if it comes to my company, we ensure that the communication flow is there. And whenever something

pops up, all of the affiliates are informed. And as well we have a standardized IT system to see patterns. And things pop up immediately and then we realize, don't do – avoid this deal. If it comes to international cooperation between institutions, I cannot comment; that's subject to the officials.

Q: Thank you.

WIDL: But I think there is a lot of room for improvement.

LEVITE: Good, thank you. Over there?

[00:33:31]

Q: Thank you. Gretchen Hund with the Pacific Northwest National Lab. Excellent presentation – and I can't commend you enough. You're just – it's a terrific model for what you all are doing. Two part of a question: One is, given that in the United States it is tougher; I think a lot of companies we've heard from are really afraid of this kind of "gotcha" mentality, that if they happen to turn, to send a request, a suspicious request, in somehow it's going to come back and bite them.

We've looked at the concept of maybe having some kind of third party, as you mentioned, kind of trusted party, if you will, that people could be giving this information to. So instead of it being just Oerlikon subsidiaries that are getting this information, potentially it could be lots of companies within that industry so that everyone is told, don't fill this order; this doesn't smell right. Curious about your reaction to that.

And then the second part of the question is whether or not some kind of supply-chain approach could be used where instead of just focusing in on the manufacturing you're doing in place, you're actually giving preferential treatment to folks that are supplying goods and services to you that are in turn following some kind of code of conduct/corporate governance structure so that they end up being preferentially liked, if you will, above other companies that could be doing that. Thank you.

[00:34:49]

WIDL: Thank you, Gretchen. What I see is that deals happen. We walked away from a couple and I realize some other companies took it. And after a while it pushed back and then we realized – but we cannot control – there is no way to control each item. And the problem, specifically in our business, is if it's just a (wealth ?), you can use it for everything. It's always a question of what man makes with the technology.

I think the trusted partner is crucial. The trusted partner in our case is the BAFA in Germany. I think it would be extremely helpful to have that kind of – this institution – and as well that it's a platform of sharing information without, as I stated before, without being threatened by legal consequences if anything would happen, because this is a knowledge base; it should be not the base where direct illegal activities are happening. You can do them once the goods are delivered.

I think it's important – any information, it should be stored centrally and the access to the information must be very selective business by business. Otherwise we go into those antitrust issues. And it's something I think you have to solve out in U.S. where the antitrust regulations and the sharing of information and – just sending out the wrong message.

As you've seen, I worked for an American company before and I remember that just whatever you write, whatever you publish, you have to be absolutely sure that this is not sending out the wrong signal. So here it is very critical and you might need some very good legal advice how that system could work that companies can share information without being threatened that you provided something which could be, from a competitive point of view, not acceptable.

LEVITE: And is it the global, you know, public interest?

[00:36:47]

WIDL: The public interest – I wanted to comment on something else. Sorry, you lose me. The other point is what could work as well, if you need incentives. And I don't talk about money. That would be the wrong piece. And as I told you,

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I want to run a business which is sustainably successful, so you walk away from deals which could, you know, come back in a couple of months or years – and, by the way, we don't support these kinds of regimes and these kinds of products and projects.

Now, what could happen is, we always have to go through a long procedure. You spoke about the supply chain. And maybe an incentive could be that companies who qualified for good export-control behavior have something like a fast line if it comes to approval.

So if a company has made a good track record: they have shown that they don't proliferate, that there is very good procedures internally, which you can easily audit, maybe they get a fast line for deals, maybe you qualify to be better-served by approval processes. That would as well require good cooperation between different institutions but that would be an interesting incentive and it would be competitively interesting.

LEVITE: Thank you. More questions? Go ahead.

Q: Thank you very much. Daryl Kimball, director of the Arms Control Association – very interesting and rich presentation. I wanted to ask you how over the past few years U.N. Security Council Resolution 1540 has affected the culture, the corporate culture. And if so and if not, how would you recommend governments through that system revise or update the system in order to be more effective where you're working on this problem?

WIDL: Now, I need some education about that resolution.

LEVITE: George, take the – excuse me.

[00:38:57]

WIDL: Can you explain just what that means?

LEVITE: Well, that was more of a security-oriented post-9/11 type of resolution of Security Council. So I think the issue also came up in the context of the discussion of the safety earlier, of how the safety and the security culture go hand in hand but create some kind of a tension.

WIDL: Okay, got it. I spoke about that libel charter. Nothing has changed. Since being introduced, that libel charter, business has not and the behavior has not changed in any case. So we walk away from leads where they are questionable. Maybe what happens is that the database was enriched by more countries so you don't want to serve those countries or you will – the patent has maybe slightly changed but from the basic procedures, in our case, nothing has changed. So we continue to behave like we did before, that we don't do business with where we think this is illicit trade.

LEVITE: But the question – the point was, I gather, that it was not just that it would be, you would say, for WMD, the development but it could also actually be used for terrorism and helping terrorist acts and so on in that respect.

WIDL: But at the end you need a legal entity to purchase the product. And for us the procedure – if it's an individual, if it's a terrorist, somebody needs to purchase the product. And it always goes for the supply chain and there might be some middleman, an agent, and then there is an end customer. And we always ask for an end-use declaration. If that thing is already missing or if it's faked or whatever, we look at it.

So from our point of view, whatever happens at the end, we look at the process. And if we have questions, we don't do it. I think the end-user declaration and the middleman, all of this paperwork we see very early shows you if something is going on with that order. But we stick pretty much to our process. And I'm sure there is as well room for improvement. But, to define it, at the end it must be a legal entity to buy a good wherever you go through. And that helps.

LEVITE: Rose?

[00:41:02]

Q: Rose Gottemoeller from the Department of State. Thank you for a very, very interesting talk. You mentioned that your IT systems use pattern matching and that type of thing; you have software. I was interested if you could say a bit

more about that. Is that an area where you have basically done that in-house or are these standard off-the-shelf types of software programs that you're using? Have you had to purpose-build something for this particular purpose? And is this an area where it might be profitable – if not profitable in a business sense, but in terms of propagating your ideas – to cooperate with other companies?

WIDL: It is not very sophisticated. We use one of those two platforms which we use to run enterprises. So I will not do any marketing, but it is one of those two general, normal-use platforms. And then we put a global trade-control module in it.

What happens, if ever an inquiry goes through, at a certain point of time, it has hit our central trade-control department where they'll look into the customer name; we have a database which we regularly review. And if we realize that a new company comes in, for instance, an agent, we always need to validate if the agent is really an agent for commercial use or if there is something else in mind.

So we always – we check the inquiry, the products and we check the company name. And they have to qualify before we do any deal. We never work with a company who have never done deals before. So it has always – with that information we sometimes access then the database of the colleagues from BAFA and they give us then, let's say, the green flag: You can do business with them or it requires more time to assess that company.

So the expertise is that we have a database of companies we know we can deal with. And we have a database – we distinguish between end users and agents. And specifically the agents are the ones which can be difficult because whenever you deal with an agent, you need the end-user declaration. And that paper, the way it's done and what is on it tells you already a story.

[00:43:13]

And the expertise is pretty much in the heads of the people who are working the department. And we are totally understaffed and so, as a result, we cannot process as fast as we want to. It's the same thing as, I guess, we share with many back-office functions that, here's something I don't see any compromise because one bad deal and the entire company is occupied with a totally different task.

It's not too sophisticated but this would be something very helpful to centralize as well, to put that knowledge and these kinds of companies and the profile together and run some procedures. In today's world with all of the technology developed – specifically if I think about U.S. where patent recognition is core competence of search engines and whatever you can think of – that would be extremely helpful. And maybe it – not necessarily be the core competence of a company; it could be something you buy. So we would access a database and we get that service back.

I mean, I pay for it anyways. It would be perfect if I could get this service and access it like a database. Maybe that's an opportunity to work on.

LEVITE: We have here some people who have been – will be leaving the NSG. So I'm sure this corporate NSG idea would be of considerable interest to them on this end.

[00:44:42]

Q: I'm Scott Davis from the State Department. I was encouraged about your remarks about sharing trade-related information with the IAEA. And I wondered whether you felt your company has somewhat of a unique history and now clearly a very sophisticated system for dealing with export controls. But I wondered if you thought other companies, other business leaders and, for that matter, other governments will support this idea of sharing more of this type of information with the IAEA. Thanks.

WIDL: I can just speak for my company but if I look at the vacuum industry and if I look at some of my competitors, I don't think they all have a different opinion. They have the same concern. There might be different cultures in different countries and some people and some companies would do any deal in order to make it happen. But if I look at the landscape of my industry and the COOs I know, I don't think they would risk the business and everything they have generated for deals which were illicit.

So I'm sure there is a group of companies which would so totally support to share that kind of information. The problem is just, again, we should not be pushed back because if you share any information and then it's – people speak about a cartel, that would just be the contrary of everything, what we'd like to have.

Maybe the second part of your question can –

LEVITE: Go ahead because we're beginning to run out of time. So just give him a brief answer to the second part of the question.

WIDL: Well, I'm trying to recall. (Laughter.)

LEVITE: Do you want to repeat the second half of the question?

Q: I mean, clearly the issue is that sharing the information presents the criticism you mention, the criticisms of cartel-like activity. But also simply concerns about giving out business sensitive information. And I just wonder if we're going to be able to get more support from the business community globally to do this because it would be very helpful from a safeguards point of view.

[00:46:46]

WIDL: So, again, I can just comment on Leybold; we are sharing it. We openly share with institutions where we build up trustful (sic) relationships.

LEVITE: We've hired Andreas to be on the speaking tour around the world, give up on his regular day job to do it. Please. We'll discuss the details of remuneration thereafter.

WIDL: We do?

LEVITE: Yes.

WIDL: Just give me a fast line. (Laughter.)

LEVITE: A fast line. There are some people here who are going to work on this.

Q: So I'm Marco DiCapua with the National Nuclear Security Administration. I wonder what the impact of – the cost of doing business of your social responsibility practices are and whether smaller companies will have the deep pockets that perhaps your company has in order to accomplish the same goals.

WIDL: I'm not aware of deep pockets. (Laughter.) So the company – I'm just from the – I didn't share some figures with you. So the company overall, Oerlikon, has 3.6 billion turnover. And the unit I'm responsible for is 420 million Swiss francs. So that's the size we're dealing with.

There are bigger companies; there are smaller ones. For me it's not a question of size if you do these kinds of deals or not. There is a bunch of deals you can do. It depends in which kind of segments you're working. You know, there is – the segments we're serving, we're in the process industry; we're in the semiconductor industry, photovoltaic, analytics, R&D – (inaudible).

[00:48:20]

We have a huge range of products, a huge range of customers. I have 33,000 customers. So it's a business where everywhere is opportunity. There is just no reason to go for specific deals which are questionable. And that's not – for me it's not a question of deep pockets. It's just a question of, do you do things? Do you support this kind of industries or not? So that's a pure ethical behavior.

There are small companies, small vacuum companies. I think they have reduced problems. It's no rocket science

what we're doing in our products. The question is what our customers are doing with that. So for me, again, it's not a question of deep pockets, what you're doing. I think it's – if you think of a company, if you run a company and you want to sustainably grow the company, you have to take clear ethical decisions. And that is, you stop doing business with illicit trade, which are subject to export control and could go in the wrong direction.

LEVITE: Bill Potter, you get the last question.

Q: Thank you very much. I also enjoyed the presentation. I'm curious, though, and I'm reassured by the fact that when you go to bed at night you worry about prosecutions. But looking at the record of prosecutions I wonder why most CEOs in fact are particularly worried. I don't see them occurring.

And so I'm kind of curious the deterrent effect that you attribute to prosecutions as opposed to perhaps other things such as corporate responsibility that drives good behavior in this sphere.

WIDL: So the question is, if other CEOs –

Q: No, I guess I'm curious about, in fact, given the absence of a record of prosecutions in most countries, whether that actually serves as much of a deterrent for the kind of behavior that we're trying to avoid.

WIDL: Well, maybe as we were the worst kid on the block 30 years ago maybe we still keep that in mind. I mean, the people went to prison who did that – and rightfully so. The fact is, when anything happens – and if you – I mean, there are books. The one book is about if you run a business, if you're *geschaefswille* in Germany. If you read that book you would just stop that career in *geschaefswille* because you realize that's just risk; there is no benefit.

[00:50:32]

There is another book if you read about export control. I looked through that thing. I felt like, oh my god, am I in charge of all of that? (Laughter.) So there's always a question of prosecution. But there are many things, if you read about them, you would say, oh, I don't do it. But in the end you're an entrepreneur and you want to do things and you want to do things cautiously and responsibly.

I think we have good processes in place, which gives me some sleep at night. On the other side, something can go wrong every day and it happens. So then you need procedures where you can prove. And that's then the point: You need to prove that you have procedures in place. When something happens, you explain it, transparency and then the problem can be solved as well.

And that's doing business. We might be a bit overcautious because we have some history. And I take that very serious, this topic of export control. Maybe others see it differently.

[00:51:30]

LEVITE: Bill, I will just on a closing tell you that as Carnegie we've recently been in touch with China on some corporate social responsibility norms. And the leader of the large, Chinese corporation pulled us aside and said, do you understand what responsibility implies in China? If we screw up, we are being shot. So this gives a completely new meaning to the issue of – and, but he says, if you hold my hand and you make sure the government holds my hand, I will play along, which he has.

Andreas, you have to run so I have to have the pleasure of thanking you on behalf of everybody else for giving us a very inspiring message – (applause) – and volunteering to do so much work as we go ahead. (Applause.) Thank you.

WIDL: Thank you.

(END)