



Blue Lantern End-Use Monitoring Program

**Bryan P. Walsh
Office of Defense Trade Controls Policy
Directorate of Defense Trade Controls (DDTC)
Bureau of Political-Military Affairs
U.S. Department of State**



Trade Channels /Authorities



Commercial

*(Direct Commercial Sales
or DCS)*

- International Traffic in Arms Regulations (ITAR)
 - United States Munitions List (USML)
- Export Administration Regulations (EAR)
 - Commerce Control List (CCL)

Government-to-Government

- Foreign Military Sales (FMS)
- Foreign Military Financing (FMF)
- Security Assistance



Organizations and Regulations



Department of State

Foreign Military
Sales (FMS)

Direct Commercial
Sales (DCS)

Security Assistance
Management Manual
(SAMM)

International Traffic in
Arms Regulations
(ITAR)

Office of Regional Security
and Arms Transfers (RSAT)
*Non-Regulatory Body

Directorate of Defense Trade
Controls (DDTC)
*Regulatory Body

Department of Commerce

Direct Commercial
Sales (DCS)

Export Administration
Regulations (EAR)

Bureau of Industry and
Security (BIS)
*Regulatory Body



U.S. Munitions List (USML) Categories



- | | | | |
|------|------------------------------|------|-----------------------------|
| I | Firearms | XII | Fire Control / Night Vision |
| II | Armament | XIII | Auxiliary Equipment |
| III | Ammunition/Ordnance | XIV | Toxicological Agents |
| IV | Missiles, Rockets, Torpedoes | XV | Spacecraft Systems |
| V | Explosives, Propellants | XVI | Nuclear Weapons |
| VI | Naval Vessels | XVII | Classified Articles |
| VII | Tanks & Vehicles | XVII | Directed Energy Weapons |
| | | I | |
| VIII | Aircraft | XIX | Gas Turbine Engines |
| IX | Military Training & Equip. | XX | Submersible Vessels |
| X | Protective Personnel Equip. | XXI | Miscellaneous Articles |
| XI | Electronics | | |



Bureau of Political Military Affairs



Directorate of Defense Trade Controls (DDTC)

Licenses
Compliance
ITAR Updates
End-Use Monitoring

Regional Security and Arms Transfers (RSAT)

Foreign Military Sales
Third Party Transfers
Excess Defense Articles



Export Licenses



Hardware & Technical Data

- Permanent Export
- Temporary Import (*hardware only*)
- Temporary Export (*hardware only*)
- Classified Transactions

Services, Manufacturing, Distribution

- Technical Assistance Agreement (TAA)
- Manufacturing License Agreement (MLA)
- Warehouse Distribution Agreement (WDA)

Other Requests, "General Correspondence" (paper)

- Brokering
- Re-export/Retransfer Requests
- Advisory Opinion

***DDTC processed 44,100
authorizations in Fiscal Year
2015***



USG End-Use Monitoring Programs



Blue Lantern – Direct Commercial Sales (DCS) of United States Munitions List (USML) articles, technology, services, and brokering



Golden Sentry - Foreign Military Sales (FMS) of defense articles and services via government-to-government channels



End-Use Checks - Dual-use items and munitions on the Commerce Control List (CCL) and “600-series” items



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What is Blue Lantern?

Pre-license, post-license, and post-shipment inquiries or checks to:

- verify *bona fides* of foreign consignees and end-users
- confirm receipt and disposition of exported articles
- confirm end-use and compliance with requirements/provisos

- *Required by U.S. law*
- *Over 14,400 checks since 1990*
- *Conducted in 80-100 countries each year*
- *570 checks out of 44,100 applications (1.3%) in FY 2015*



Mission and Objectives



To help ensure the security and integrity of U.S. defense trade

Objective 1: Build Confidence in Trade Relationship

- Monitor transfer of sensitive hardware, technology, and services
- Verify bona fides of parties, especially intermediaries
- Foster cooperation/confidence among U.S. government, host government, and industry
- Enhance understanding of U.S. export controls
- **NOT a law enforcement action or “investigation.”**

Objective 2: Regulate Hardware & Technology Transfer

- Support and facilitate transfer of increased volume and more advanced hardware and technology
- Result in increased scrutiny and/or restrictions on future exports

Objective 3: Impede Gray Arms Trade

- Use of legitimate means for illicit ends
- Route out false end-use documentation, front companies, hidden intermediaries/brokers



Targeted/Selected; Not Random



- 44,100 licenses adjudicated in FY 2015
- 570 Blue Lantern checks in FY 2015 – about 1.3%

A Blue Lantern may be generated by:

- Watch List entity match
- Analyst assessment based on warning flags
- Referrals
 - Licensing officers
 - State Department regional and functional offices
 - Other USG agencies (e.g. Department of Defense)



What Happens During a Blue Lantern Check?



- Open source research
 - e.g. Internet, public business listings and databases, etc.
- Consult host government officials and law enforcement agencies, if appropriate
 - Verify order/delivery
 - Verify *bona fides*, request any derogatory info
 - Verify licenses/authorizations, import/export certificates
- Request site visit
- Interview foreign consignee or end-user
 - In-person
 - Telephone or e-mail contact

*Blue Lantern checks are conducted by Foreign Service Officers.
Not a law enforcement investigation.*



Example: Attempted Diversion



Pre-License / Post-Shipment Check:

- Item: Satellite Components
- Consignee: East Asian private company
- End-User: Southeast Asian R&D company

Reason for Request:

- Unfamiliar consignee
- Routing of commodities
- Lack of supporting documentation

Findings:

- End-User denied ordering the components
- License application denied
- Previously approved licenses revoked



Follow-on Actions



- If favorable, recommend issuance of license; record results for future reference.
- If unfavorable, recommend application be either returned without action (RWA), denied, or revoked; if appropriate, add entities to Watch List, refer to Compliance Office and/or law enforcement for possible civil and/or criminal action.
- Contact the U.S. seller for information on status of license. (End-use check is only one component of interagency review process.)



Response Timelines

Global Guidelines

Pre-license checks within **30 days***

Post-shipment checks within **45 days***

***starting with transmission of front-channel cable**

Tardy response delays final action on license request and may adversely affect future licensing.



Blue Lanterns in Singapore (FY 2011-2015)



Top 3 USML Categories:

USML Category	Licenses Checked
VIII – Aircraft and Related Articles	34
XI – Military Electronics	33
XII– Fire Control, Range Finder, Optical and Guidance and Control Equipment	13

110 licenses checked (39 pre-license, 59 post-shipment, 12 both)

- Of which 28 were “unfavorable” (25%)
(Global average “unfavorable” rate: 26%)



FY 2015 Global Unfavorable Results



Derogatory information/ foreign party deemed unreliable recipient of USML	61
Refusal to cooperate	33
Unauthorized re-export/retransfer	28
Foreign party involved in transaction but not listed on license/ application	25
Indication of potential or actual diversion	12
Deficient accounting or inventory errors	9
Regional concerns	4
Lack of secure storage facilities	1

*U.S. fiscal year is from October 1, 2015 – September 30, 2016



USML Commercial Defense Exports to Singapore (CY 2011-2015)



Calendar Year	Authorized Permanent Defense Article Export Value	Authorized Defense Service and Agreement Export Value	Total Value (\$USD)	Shipment Value (\$USD)	Denials
2011	\$853.7M	\$2.5B	\$3.3B	\$147.8M	5
2012	\$785.4M	\$663.9M	\$1.4B	\$49.6M	3
2013	\$8.1B	\$6.9B	\$15B	\$77.1M	7
2014	\$881M	\$292.8M	\$1.1B	\$44M	3
2015	\$936.8M	\$93.9M	\$1.03B	\$45.1M	0
Total	\$11.5B	\$10.45B	\$21.9B	\$363.6M	18



Defense Trade to Singapore By USML Category (CY 2015)



Category	Total Value (\$ USD)
XI – Military Electronics	\$263.6 million
XII – Fire Control, Range Finder, Optical and Guidance and Control Equipment	\$221.04 million
XIX – Gas Turbine Engines and Associated Equipment	\$231.8 million
VIII – Aircraft and Related Articles	\$96.8 million
III – Ammunition/Ordnance	\$11.6 million



Additional Information & Reference Material



DDTC Website

<http://www.pmddtc.state.gov>

(See “Reports and Official Statements” – “End-use Reports”)

Regional Security and Arms Transfers Website

<http://www.state.gov/t/pm/rsat>

(For Foreign Military Sales and government-to-government retransfer requests)



Contact Information



For general inquiries:

DDTC website: www.pmddtc.state.gov

E-mail: DDTCResponseTeam@state.gov

Telephone: +1-202-663-1282