



Blue Lantern End-Use Monitoring Program

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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)

Security Assistance Management Manual (SAMM)

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

Direct Commercial Sales (DCS)

International Traffic in Arms Regulations (ITAR)

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



Bureau of Political Military Affairs



Tina Kaidanow
Acting Assistant Secretary
Political-Military Affairs

Brian Nilsson
Deputy Assistant Secretary

Bill Monahan
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Directorate of Defense Trade Controls (DDTC)

Licenses
Compliance
ITAR Updates
End-Use Monitoring

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Regional Security and Arms Transfers (RSAT)

Foreign Military Sales
Third Party Transfers
Excess Defense Articles



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



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 | XVIII | Directed Energy Weapons |
| VIII | Aircraft | XIX | Gas Turbine Engines |
| IX | Military Training & Equip. | XX | Submersible Vessels |
| X | Protective Personnel Equip. | XXI | Miscellaneous Articles |
| XI | Electronics | | |



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*



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



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



Targeted/Selected; Not Random



- 44,000 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.*



End-Use Monitoring Basics



- Verifies end-users, consignees, and end-uses of U.S. exports of defense articles, technology, and services
 - Pre-license and post-shipment checks (~55% / ~45%)
- Performed worldwide by U.S. embassy personnel in cooperation with host governments since 1990
 - 80-100 countries each year
- Required by U.S. law
- U.S. and foreign industry aware of program



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.



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



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

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