



Blue Lantern End-Use Monitoring Program

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Mission



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

- Prevent unauthorized acquisition or use of U.S. military articles and technology
- Combat gray arms trafficking
- Promote non-proliferation
- Foster regional security & stability
- Regulate technology transfer
- Build cooperation/confidence among Department, host governments, and industry



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 on the Commerce Control List (CCL)



Blue Lantern 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: High interest by Congress, media, and non-governmental organizations (NGOs)
- U.S. and foreign industry aware of program



Objective 1: Build Confidence in Trade Relationship



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- 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 (e.g., USG approval required to retransfer)

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

OR

- Result in increased scrutiny and/or restrictions on future exports



Objective 3: Impede Gray Arms Trade



- Use of legitimate means for illicit ends
- Tools & Techniques
 - False end-use documentation
 - Front companies
 - Brokers
 - Hidden intermediaries/end-users

Impeding gray arms trade improves international security and stability



Benefits



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- Increases confidence and cooperation
 - Expedites future requests
 - Facilitates transfer of more advanced technology
 - Helps vet vendors, prevent diversions
 - Protects end-users from untrustworthy intermediaries
 - Fosters communication among U.S. government, host country, and industry
 - Establishes expectation of due diligence by exporters and importers, educates industry on laws and regulations



Genesis



Targeted/selected, not random:

564 Blue Lantern checks out of ~63,000 export authorization requests in FY 2014

(Less than 1 percent)

- Referrals
 - DDTC licensing and compliance officers
 - State Department regional and functional offices
 - Other USG agencies (e.g. Department of Defense)
- Watch List



Basic Warning Flags



- **End-User / End-Use Indicators**

- Unfamiliar end-user
- Incomplete or suspect supporting documentation
- Scanty or derogatory background information or end-use description
- Reticence or evasiveness by U.S. applicant or purchasing agent
- Payment in cash or at above-market rates
- Unfamiliarity of end-users with the product or its use
- End-user declines customary associated services (installation, warranty, spares, repair)

- **Commodity Indicators**

- Excessive or inconsistent with needs or inventory
- In demand by embargoed countries
- Especially sensitive (e.g., night vision, unmanned aerial vehicles, missile-related, high caliber)

- **Geographic / Shipment Indicators**

- Unfamiliar intermediary
- Unusual routing, trans-shipment through multiple countries or companies
- Countries, cities, or ports of concern; free trade zones (FTZ)
- Vague or suspicious delivery locations (e.g., P.O. box), shipping/packaging instructions
- Designation of freight forwarders as foreign consignees or end-users
- Foreign intermediate consignees (trading companies, freight forwarders, export companies) with no apparent connection to the end-user



Watch List



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- All applications are run against Watch List
 - ~100,000 entities
 - Range from suspect to sanctioned
 - Compiled from many sources
 - Match may result in a Blue Lantern check



Life-Cycle of a Blue Lantern



Washington

- Generate case
- Research companies and technologies
- Draft, clear, and send action request cable to Post

Post

- Conduct check, including research and site visit, if appropriate
- Draft, clear, and send response cable back to Washington

Washington

- 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 Enforcement Division for possible civil and/or criminal action



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.



Avoiding Delays in License Processing



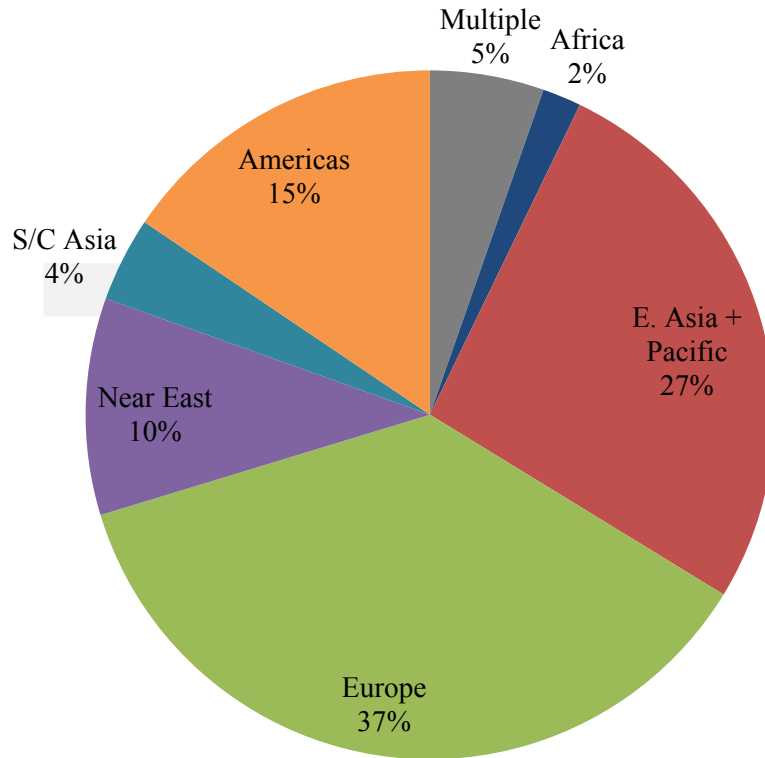
- **Provide your vendor with a thorough End-Use Statement:**
 - Ultimate End-User
 - End-Use (include platform, i.e. aircraft type)
 - Intermediate Consignees
 - Your customer
 - Freight forwarder
 - Maintenance and repair providers
 - Any company that will take possession of the item
- **Provide Supporting Documentation from Ultimate End-User:**
 - Non-Transfer and Use Certificate (DSP-83)
 - Contract
 - Purchase order
 - End-Use Statement on official letterhead
- **Provide Valid Contact Information:**
 - Name and phone number of person familiar with the procurement
 - Contact information for intermediate consignees and end-user



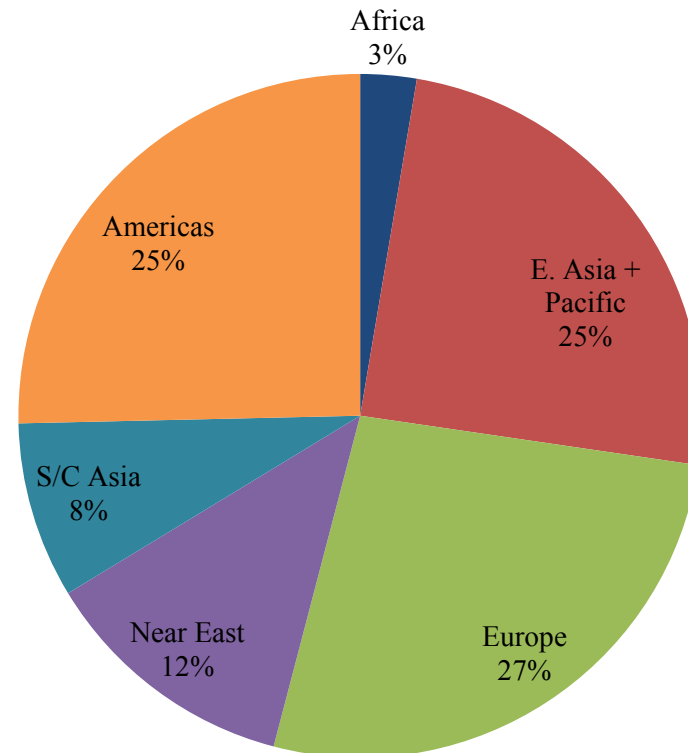
Regional Breakdown of Blue Lantern Checks



**Authorization Requests By Region
FY 2014**



**Blue Lantern Initiated By Region
FY 2014**





“Unfavorable” Blue Lanterns (FY 2011-2014)



Fiscal Year	Number of Closed Cases	“Unfavorable” Rate
2011	592	27%
2012	706	20%
2013	1,029	19%
2014	620	18%

* The global “unfavorable” rate for the past four years is 21%



Reasons for “Unfavorable” Results Globally in FY 2013



70	Derogatory info / unreliable recipient of USML
47	Indication of diversion / retransfer / re-export
38	Refusal to cooperate
25	Unable to confirm order / receipt of goods
21	Unauthorized foreign party involved in transaction
4	Violation of terms of license
3	Unauthorized brokering
2	Lack of secure storage facilities
1	Inability to confirm existence of foreign party



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 retransfer and re-export requests)



QUESTIONS?