



# Blue Lantern End-Use Monitoring Program

Office of Defense Trade Controls Policy  
 Directorate of Defense Trade Controls  
 Bureau of Political-Military Affairs  
 U.S. Department of State



## Trade Channels / Authorities



### Commercial

*(Direct Commercial Sales  
or DCS)*

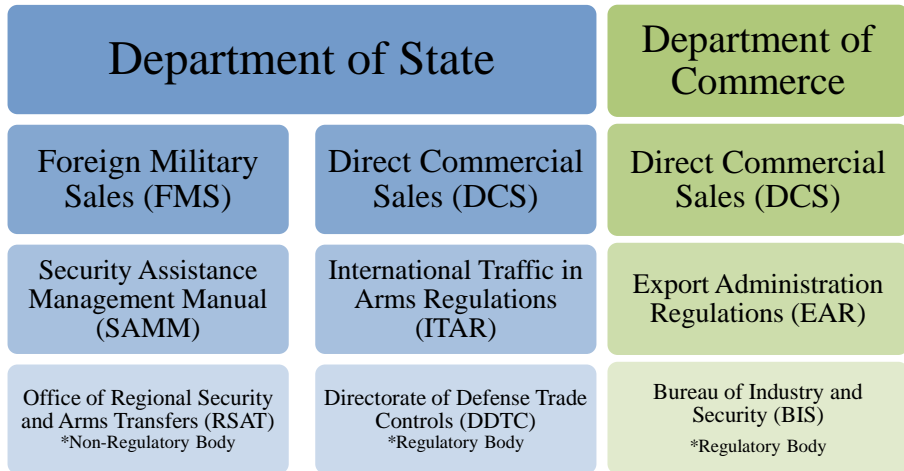
- International Traffic in Arms Regulations (ITAR)
  - United States Munitions List (USML)
- Export Administration Regulations (EAR)
  - Commerce Control List (CCL)

### Government-to-Government

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



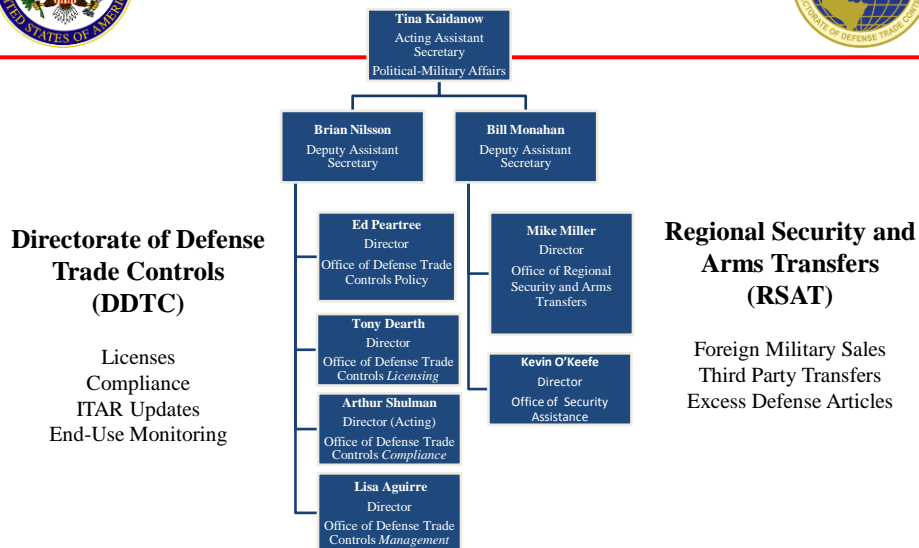
# Organizations and Regulations



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## Bureau of Political Military Affairs



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## 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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## 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		

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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*

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## 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

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## 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

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## 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)

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## Watch List



- All applications are run against Watch List
- ~160,000 active entries
- Range from suspect to sanctioned
- Used as screening tool; **not a “no fly” list**
- All-source intelligence
- Unclassified database proprietary to DDTC
- DDTC may add/delete parties at its discretion

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## 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)

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## Commodity Indicators



- Large/Excessive quantity or inconsistent with needs or inventory
- Especially sensitive
  - automatic firearms, suppressors, high caliber
  - night vision
  - unmanned aerial vehicles
  - missile-related
- In demand by embargoed countries
  - China/Iran in particular

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## 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

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## 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.*

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## 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.)

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## 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.*

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## 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

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## 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)

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## Contact Information



For general inquiries:

DDTC website: [www.pmddtc.state.gov](http://www.pmddtc.state.gov)

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