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
**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**

<table>
<thead>
<tr>
<th>I</th>
<th>Firearms</th>
<th>XII</th>
<th>Fire Control / Night Vision</th>
</tr>
</thead>
<tbody>
<tr>
<td>II</td>
<td>Armament</td>
<td>XIII</td>
<td>Auxiliary Equipment</td>
</tr>
<tr>
<td>III</td>
<td>Ammunition/Ordnance</td>
<td>XIV</td>
<td>Toxicological Agents</td>
</tr>
<tr>
<td>IV</td>
<td>Missiles, Rockets, Torpedoes</td>
<td>XV</td>
<td>Spacecraft Systems</td>
</tr>
<tr>
<td>V</td>
<td>Explosives, Propellants</td>
<td>XVI</td>
<td>Nuclear Weapons</td>
</tr>
<tr>
<td>VI</td>
<td>Naval Vessels</td>
<td>XVII</td>
<td>Classified Articles</td>
</tr>
<tr>
<td>VII</td>
<td>Tanks &amp; Vehicles</td>
<td>XVIII</td>
<td>Directed Energy Weapons</td>
</tr>
<tr>
<td>VIII</td>
<td>Aircraft</td>
<td>XIX</td>
<td>Gas Turbine Engines</td>
</tr>
<tr>
<td>IX</td>
<td>Military Training &amp; Equip.</td>
<td>XX</td>
<td>Submersible Vessels</td>
</tr>
<tr>
<td>X</td>
<td>Protective Personnel Equip.</td>
<td>XXI</td>
<td>Miscellaneous Articles</td>
</tr>
</tbody>
</table>
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)
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

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

- 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

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
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.*

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

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

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