



House of Commons  
Committees on Arms Export  
Controls

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# UK arms exports during 2016: Government Response to the Committees' First Joint Report

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First Joint Special Report of  
Session 2017–19

*Fourteenth Special Report of the  
Defence Committee, Eighteenth  
Special Report of the Foreign Affairs  
Committee, Ninth Special Report  
of the International Development  
Committee and Fifth Special Report of  
the International Trade Committee*

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## Committees on Arms Export Controls

The Committees on Arms Export Controls consists of the: Defence Committee, Foreign Affairs Committee, International Development Committee and the International Trade Committee. These four committees work together because each has an interest in arms exports as part of their responsibility to scrutinise their respective Government department.

### Current membership

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### Powers

The Committees are departmental select committees, the powers of which are set out in the House of Commons Standing Orders, principally in SO No. 152. The powers of the Committees to work together and agree joint reports are set out in Standing Order No. 137A. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

### Publications

Committee reports are published on the [Committee's website](#) and in print by Order of the House.

Evidence relating to this report is published on the relevant [inquiry page](#) of the Committee's website.

### Committee staff

The current staff of the Committee are Simon Fiander (Clerk), Ian Thomson (Committee Specialist) and Matthew Chappell (Committee Assistant).

### Contacts

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## First Special Report

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The Committees on Arms Export Controls published their First Joint Report, *UK arms exports during 2016* (HC 666) on 18 July 2018. The Government's response was received on 18 September and is appended to this report.

## Appendix

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The Government welcomes the Committees on Arms Export Controls' inquiry into UK arms exports during 2016 which was published on 18 July 2018.

This report sets out the Government's response to each of the Committees' conclusions and recommendations. The Committees' text is in bold and the Government's response is in plain text. Paragraph numbers correspond to those in the Committees' report.

### Ministerial evidence

- (8) **In keeping with the practice of their predecessors, we consider that both the Foreign Secretary and the Secretary of State for International Trade should make every effort to attend to give oral evidence to us on an annual basis, given the importance of this policy area. It is not acceptable for departments to leave it to the last minute before confirming the attendance of ministerial witnesses. To do so is disrespectful to the House.**

The Government will continue to make Ministers available for Oral Evidence Sessions. We will confirm as soon as is possible the attendance of ministerial witnesses, though a decision on whether the Ministers giving evidence will be the Secretaries of State will be taken nearer the time of the Oral Evidence Sessions.

### The licensing regime

- (54) **We note that the Government has in recent years encouraged industry to apply for open rather than standard licences, in order to reduce the workload associated with the processing of uncontentious licences. We accept that it is legitimate for the Government to seek to make the best use of limited resources in this way—provided there is evidence to show that open licences do represent a more cost-effective approach without compromising necessary standards. The Government needs to supply evidence to that effect, either in response to this report or in correspondence.**

In 2017 over 13,000 Standard Individual Export Licences (SIELs) were granted, compared to 406 Open Individual Export Licences (OIELs). The number of SIEL applications saved by using these OIELs is difficult to quantify precisely. Based on the exporters having to justify the need for an OIEL, for example by having a record of five applications for SIELs to each country in the previous year and using a figure of three or more destinations on an OIEL, we can estimate that an OIEL would be at least equivalent to about 15 SIELs, meaning the 406 OIELs may equate to 6–7000 SIELs. A typical OIEL therefore reduces

the burden on exporters having to apply separately for each destination on the OIEL. The cost saving to Government is also significant, even though an OIEL application may take longer to complete.

The assessment process for OIELs is robust. Where an OIEL has multiple goods to multiple destinations, each combination is assessed against the Consolidated EU & National Arms Export Licensing Criteria, known as the Consolidated Criteria. This robust risk assessment is why OIEL applications take far longer to assess than SIEL applications. In addition, we would reject some or all of the items and or destinations applied for on an OIEL where there is insufficient information to make a proper risk assessment using the Consolidated Criteria. In these circumstances the applicant would be invited to apply for a SIEL instead.

There is no accurate way of determining how many SIEL applications are saved by using Open General Export Licences (OGELs). The number of registered users varies across the different OGELs and the number of times an OGEL is used will vary from exporter to exporter.

- (55) At the same time, there is a need for greater clarity and transparency regarding the circumstances in which open licences are deemed appropriate rather than standard licences. This is particularly the case given the concerns raised with us about reporting in respect of open licences. The Government must explain how it is going to bring greater clarity and transparency in this regard, which would be of practical benefit to industry, as well as being good policy.**

We promote the use of OIELs as they may better facilitate an exporter's business needs. They are not an easy option for exporters; with potentially multiple goods and multiple destinations on the licence the application process is more complex and takes far longer to complete. OIELs can also contain tailored conditions that are developed as part of the risk management considerations and company compliance with these conditions is checked after the licence is issued.

As part of the application process for OIELs, exporters have to be able to demonstrate a 'clear business need' that an OIEL is required for the intended export(s). This justification may take the form of a record of applications for SIELs (around 5 relevant SIEL applications to each country in the previous year), if less than this, they must justify why they have included such a country in their application. If exporters do not have a track record of SIEL applications they should demonstrate a clear business need that an OIEL is the most appropriate licence, for example: a contract or tender which stipulates delivery within less than twenty working days or stipulates unlimited shipments.

Government published guidance on the application process for OIELs in February 2015. <https://www.gov.uk/government/publications/oiels-new-applications-process>

Information about what is licensed to where by OIELs is published as official statistics each quarter and annually. OIEL applications do not include values because by their very design OIELs are generally not restricted by quantity. We therefore do not have that data to publish in the way we have for SIELs.

The use of OGELs brings benefits to the Government in terms of resource savings, for example by leading to a significant reduction in the number of SIEL applications, and benefits to industry, by reducing regulatory burden through a simplified licence process

for certain items to certain destinations, helping them more easily to satisfy their business needs. The recently introduced cryptographic items OGEL is a good example of industry and Government working together to develop an open licence that benefits both. The publication of this open licence is consistent with the Committees' recommendation in paragraph 62 of their report that Government give "serious attention" to introduce an "OGEL covering 'non-contentious' cryptographic goods".

Government will only include items and destinations on an OGEL where we are satisfied that exports using the OGEL are consistent with the Consolidated EU & National Arms Export Licensing Criteria. If the assessment of the items and destinations permitted changes then the OGEL is amended or revoked. All OGELs are published on GOV.UK.

**(56) In addition, the Government must demonstrate that companies using open licences are subjected to proportionately rigorous and frequent compliance audits.**

The Export Control Joint Unit's (ECJU) Compliance Team inspect companies and individuals holding Open Individual and Open General Licences for both exports and trade activities. The Compliance Team carried out a total of 572 inspections in 2016 and 459 in 2017. Newly recruited Inspectors are now being trained so we will be considering the scope for carrying out more inspections in future years.

The primary purpose of these inspections is to establish whether the terms and conditions of licences are being adhered to and that complete records of exports are maintained, including consignee information, but they also serve to raise awareness of export controls to business.

The frequency of inspections varies depending on an assessment of risk and the track record of compliance by the exporter. This could be every six months or up to every three years.

First time users of open licences are contacted within a month of having been allocated to an Inspector.

To ascertain when an inspection of a site is required, a risk-based assessment is undertaken, taking into consideration several factors, including: previous compliance levels, types of licences utilised, knowledge and experience of the business with export controls, and frequency of usage. The Inspectors are limited, under the Export Control Order 2008, only to inspect export documentation as it relates to items being exported under a licence. As a rule, we randomly select 10% of the exports undertaken under each licence. We do, however, retain the option to inspect more, if required. For each of the selected individual exports, supporting documentation (listed as a requirement under the licence) is inspected and checked to ensure it fully meets licence requirements, i.e. original undertakings, not copies.

Although the Inspectors are not technical specialists, they do have a good understanding of the classification of goods under strategic control lists and are therefore able to determine in many instances whether the business has correctly identified the control entry of their products. If there is doubt over the control list entry, the Inspectors advise the business to use ECJU's Control List Classification Advice Service for a definitive classification.

The Inspectors also raise the broader awareness of export controls with businesses by understanding the overall activities of a business and advising them which of their activities may be potentially controlled, such as accessing technology whilst overseas.

**(57) We are most dissatisfied at the Government’s admission that no such audits are ever carried out in respect of UK companies’ operations overseas. The compliance-audit regime must be extended as soon as practically possible to cover such companies in relation to Trade Control Licences (and Export Control Licences in any relevant circumstances). The Government must say how it will achieve this, either in response to this report or in correspondence.**

In the oral evidence session of 6 June 2018 Graham Stuart MP, Minister for Investment, Department for International Trade said that “we do not audit overseas”. However, to be clear, we do audit UK businesses’ overseas operations. Where a business is based in the UK they are subject to normal on-site compliance inspections; those whose operations are based overseas are subject to a ‘remote’ compliance inspection. Inspections of UK businesses overseas operations only involve trade or trafficking and brokering activities. As such there are usually no tangible exports to examine. In these cases, the business is required to send to the Inspector a log of its activities and any supporting information/documentation required by the licence utilised. Once the information is received, the Inspector will undertake the same rigorous level of checks as for an on-site inspection. This can involve further communication with the licensee, typically by e-mail, to clarify any issues identified by the Inspector.

**(58) The resources provided to HM Revenue & Customs for export-control enforcement must be commensurate with the scale and complexity of the task. We are not convinced that this is currently the case. The Government should review the allocation of resources, setting out to us in its response to this report what the current level of resourcing is and how it relates to current demands. It should also provide data on the staff numbers and budget for Customs A/B for each year since 2008.**

HMRC aims to resource all teams commensurate with the risk at any given time. There are currently 24 full time equivalent posts in Customs A/B working on the enforcement of strategic export controls and a further 9 posts we are working to fill. This team does not have a fixed level of staffing nor does it have a unique budget, which means it is not a straightforward task to provide information on numbers and budgets since 2008. HMRC will therefore write to you separately on this.

Additionally, UKBF have a dedicated Counter Proliferation team made up of 9 officers at London Heathrow with controls carried out by multi-functional teams at other locations.

**(59) The Government should provide raw / base statistical data on numbers of investigations, reports for prosecution, prosecutions, convictions, fines, seizures, compound penalties and warnings—both successful and unsuccessful—in the last ten years. It must not, as it did in the 2016 Annual Report, confuse data on prosecutions with data on seizures. We are extremely disappointed at what we see as a misrepresentation of data in this area, as we believe it leads to public distrust of the licensing process and casts doubt on the data that the Government provides.**

The 2016 Annual Report unfortunately included a table with the wrong title. It should have been entitled “Seizures of Controlled Goods” and not “Prosecutions”. This was an error rather than intentional misrepresentation of data and regrettably this was not picked up during the proof reading. However, it was clear from the column headings that the data represented the “Number of HMRC Strategic Exports and Sanctions Seizures”.

HMRC wrote to the Committees on 25 June 2018 to clarify this issue saying; “The prosecution figures for 2016 and 2017 were nil. However, it is important to view this in context. Prosecution figures can ebb and flow depending on the maturity of investigations. There has been a prosecution in 2018 with another case scheduled for trial later this year. There have been 24 convictions for export control offences in the 10 years from 2006 to 2016.”

The Government does not view a criminal prosecution as the only successful form of law enforcement outcome. HMRC’s objective is to use a spectrum of interventions that drive changes in non-compliant behaviour in accordance with their compliance strategy (Promote / Prevent / Respond). There are several other options they can and regularly do exercise besides criminal prosecutions. These can include awareness raising, warning letters, issuing compound penalties and seizure/disruption actions. In addition to the prosecution figures the Annual Report also contains data on seizures and disruptions. These represent clear successes where goods of concern have been prevented from leaving the UK by HMRC and Border Force.”

The annual reports provide data on enforcement activities undertaken by HMRC, including convictions, fines, seizures and compound penalties. A summary of this data is provided in the Annex to this Response.

HMRC undertakes a preliminary investigation into all credible allegations of strategic export control offences. HMRC investigators pursue criminal intervention and, as appropriate, recommend prosecution where there is clear evidence of a serious criminal offence. In 2016 alone, HMRC conducted 652 preliminary assessments of information relating to potential breaches of strategic export controls. Six of these led to full criminal investigations. The remaining data on investigations, reports for prosecution and warnings will take time to collate and verify. HMRC will write to you in due course regarding this.

**(60) The Government should set out in the response to this report what the arrangements are for the exchange of information between the Export Control Joint Unit and HM Revenue & Customs and show that these are adequate for the successful discharge by both bodies of their responsibilities in this regard.**

Officials across ECJU communicate and meet with HMRC officials regularly to exchange information on licensing, compliance policy and enforcement issues. DIT and HMRC are also members of the Restricted Enforcement Unit which meets every two weeks with a range of Departments and agencies to review enforcement activities.

HMRC has access to the SPIRE digital licensing database. All digital licences are copied to Customs’ CHIEF database, to assist with enforcement.

**(61) The Government should consider whether to begin end-use monitoring, and how that would be done, taking account of resource implications, and set**

**out the reasoning behind its conclusions in the response to this report. We believe that some end-use monitoring is advisable, and that it would assist the Government in making better, more informed, export licensing decisions, as well as in addressing questions around compliance and enforcement.**

Government is always looking to see how it can improve its system of export controls. We are aware that other countries carry out some limited end-use checks and will draw on their experience to understand what an approach to possible end-use monitoring might look like.

However, we issue around 13,000 individual export licences every year. End-use monitoring on all of these is unnecessary and unfeasible; even if we were to focus on a subset of goods types and countries, carrying out end-use monitoring, even on a small scale, would be a complex and resource intensive task. In addition, permission from each country would be required on each occasion, negating any possibility of unannounced visits. Consequently, with such limitations it is difficult to see how end-use monitoring would result in proportionally better, more informed export licensing decisions.

Our current approach is to focus on a rigorous risk assessment before a licence is issued to consider whether goods might be used in a way which is inconsistent with the Consolidated Criteria, as well as exercising powers to revoke extant licences when circumstances dictate. This assessment looks at the information picture in the round, taking into account information from a range of information sources. This will continue to be our primary risk assessment process for export licence applications, but we will seek to learn lessons from export control authorities in other countries that are carrying out end-use checks.

**(62) The case has been put to us for the introduction of an Open General Export Licence to cover “non-contentious” cryptographic goods. This merits serious attention and the Government should accordingly give it formal consideration (taking fully into account the oppressive uses to which such items can be put). It should then set out clearly, in its response to this report or in correspondence, the reasoning behind the conclusion that it reaches, being explicit about how it defines “non-contentious goods” in this context.**

The Secretary of State for International Trade wrote to the Committees on the 26th March 2018, advising of the intended publication of an OGEL, covering the export of certain information security items.

This OGEL was published on 11 April. DIT, supported by the National Cyber Security Centre, worked with UK industry to develop this OGEL and strike the right balance between reducing the burden on industry and maintaining effective export controls. The OGEL does not deliver all the flexibility that industry asked for, but DIT believe this represents a significant step in simplifying the export licensing process for many high-volume items.

The OGEL does permit the export of a range of equipment, typically commercial IT equipment such as networking systems and routers, to a range of destinations. The scope of the OGEL is carefully crafted, through the use of technical descriptions, to limit it to these types of items.

All high-risk capabilities are deliberately excluded from this OGEL, specifically mobile telecommunications interception or jamming equipment, cyber surveillance tools and items designed to defeat or bypass information security, and corresponding software. These items will remain subject to individual licence applications.

Government will only include items and destinations on an OGEL where we are satisfied that the exports are consistent with the Consolidated EU & National Arms Export Licensing Criteria. The licence will be revised or revoked if the assessment against these Criteria changes.

As you will know the export of items covered by this OGEL may already be made under the authority of the European Union General Export Authorisation (EU001), subject to certain conditions and restrictions, to Australia, Canada, Japan, New Zealand, Norway, Switzerland and the US.

## Processing of licence applications

**(73) We welcome the fact that Standard Individual Export Licences were processed more quickly in 2016 than in 2015, as long as this was not accompanied by a reduction in the quality of the consideration given to applications. We note that the head of the Export Control Joint Unit told us that he could not show any “improvement in terms of metrics” since the Unit’s formation in July 2016; and that industry told us the formation of the Joint Unit has made no perceptible difference to the processing of licence applications. The Government should set out, in its response to this report or in correspondence, clear evidence to show the benefits brought by formation of the Joint Unit. This evidence must include (but not be limited to) data in respect of processing times for all types of licence.**

The Export Control Joint Unit (ECJU) was established in July 2016. The purpose behind the creation of this and other joint units was to bring together operational and policy expertise to facilitate better communications and more effective decision-making. In ECJU’s case this meant bringing together DIT’s Export Control Organisation and export licensing teams from FCO and MOD.

It was not set up with the intention of improving processing times for export licence applications. There was no change to the system in place before the formation of the joint unit, where one Department is the regulator and decision maker, and a number of other Departments act as advisers to that regulator.

The main benefit is improved communications as a result of co-location. Daily interactions among officials have created a more joined up workplace than the “virtual” one that preceded the joint unit. This fosters a more coherent mission – to promote global security and facilitate responsible exports – among the departments in the unit and shared objectives. It also fosters closer working, for example, by more easily facilitating cross departmental discussions on tricky cases and meetings with companies where all three departments are represented. Collaboration on annual reports and other similar reporting is easier and developing policy can be more easily explained and tested.

Our published data on performance against licensing targets indicates a slight improvement since becoming a joint unit. We are not arguing that this is necessarily attributable to the introduction of the joint unit, rather performance is more likely to be influenced by external factors, such as the volume and complexity of applications received in any time period.

**(74) We are concerned to have heard from industry that the Open Individual Licensing System is “fraught with perceived problems and delays, especially when it comes to the time and bureaucracy involved when exporters seek to have the existing OIELs renewed or replaced”. While we acknowledge that such applications require careful consideration, the Government should bring forward detailed plans to address unnecessary delays and bureaucracy in the process; and it should show how they will be addressed in the design of the new LITE online licensing system.**

Government understands and appreciates industry’s need for minimal delay and regulatory burden in processing all export licences. The application process for OIELs, with multiple goods and multiple destinations, is more complex and therefore takes longer to complete. We consider all licence applications against the Consolidated Criteria taking into account the relevant information available at the time of application. For renewal and replacement OIELs this means considering each combination of item and destination afresh against the Consolidated Criteria based on the circumstances at the time of renewal, not the circumstances when they were first issued.

All OIEL applications take time to process and we seek to minimise that time as far as is possible.

The development of LITE, which will replace the existing digital licensing system SPIRE, should facilitate better use of information, including information about previous applications, to help us introduce more streamlined processes. This should also enable us to flag OIEL renewals as a matter of routine, so that we can start the process of renewal in plenty of time to minimise delays to exporters. But this must be done in a way that does not compromise the rigour of export controls and the need for an up to date risk assessment using the Consolidated Criteria.

## **Application of the Consolidated Criteria**

**(103) It has been suggested to us that staff of the Department for International Development should form an integral part of the Export Control Joint Unit. Given that that Department does have a particular role in relation to Criterion 8 (concerning sustainable development), there may be a case for changing the composition of the Unit in this way. The Government should give formal consideration to this proposal and set out clearly, in its response to this report or in correspondence, the reasoning behind the conclusion it reaches.**

DFID is not an integral part of ECJU because fewer than 1% of the licences issued are eligible for Criterion 8 assessment by DFID. Therefore, DFID does not have staff dedicated full time to export control. It is more efficient for them to be based in DFID where they can carry out their other duties.

DFID leads on and assesses all relevant applications against Criterion 8 of the Consolidated EU and National Arms Export Licensing Criteria and advises DIT accordingly. DFID's overseas network continues to work with the FCO and other government departments to provide information to inform advice on other Criteria when required.

- (104) **We accept that it is entirely appropriate for Ministers to be involved in both setting the criteria and principles for dealing with licence applications and in dealing with difficult cases that involve clarifying the interpretation of those criteria and principles or otherwise setting a precedent. However, we note that there is concern about the circumstances under which cases are escalated up to Ministers and the basis for some of the decisions that result. In the interests of transparency and political accountability, the Government should set out clearly, in its response to this report, the grounds on which individual cases are selected for consideration at ministerial level, with reference to the Consolidated Criteria and the six thresholds. It must also ensure that such cases are clearly identified in the Annual Report on Strategic Export Controls.**

## **DIT**

There are four categories of licensing cases that DIT refer to their Ministers for a final decision.

- (1) Cases unresolved by the Refusals Meeting procedure.

Where there is no consensus between DIT and its principal advisory departments on whether to grant or refuse a licence, DIT officials will submit the case to Ministers for a decision. The Secretary of State for International Trade has the final call in these circumstances.

- (2) Politically sensitive or contentious cases.

Licences may be seen as politically sensitive or contentious for a number of reasons. There may be a particular and present context such as a regional conflict, military coup or serious human rights concern directly relating to the exports in question, or because the decision to grant or refuse a licence is finely balanced. In exercising judgement about which cases to refer to Ministers the Head of ECJU will consider the combination of destinations, type of goods, values of exports and end-use.

- (3) Revoking extant licences.

Licences are revoked if the export is no longer consistent with the Consolidated Criteria. This is generally because of changed conditions in the export destination, in particular in response to conflict or where there are increased concerns about human rights or because sanctions or embargoes are introduced.

- (4) Suspending extant licences and processing of new licences.

Extant licences and the processing of new export licences may be suspended temporarily where the security conditions in the export destination deteriorate rapidly to the point where it is difficult – or there is insufficient information - to apply the Consolidated Criteria.

## **FCO**

FCO officials refer a variety of licence applications to Ministers, after considering factors such as the nature of the goods, the proposed end user and the destination country as well as Ministers' stated preferences and the need to ensure appropriate Ministerial oversight.

The reason for referring licence applications to Ministers is often that the recommendation is finely balanced, the application raises new issues, or the outcome may have a significant political or economic impact. In the latter case, Ministers will be advised that political and economic factors cannot be used as a justification to recommend approval if the threshold for refusal under Criteria 1–4 has been reached.

From time to time, officials also submit to Ministers about assessments of recent events – for example following significant violence or the outbreak of a conflict – to inform consideration of applications for those countries.

## **MOD**

MOD adheres to the cross-departmental guidance as set out below and in addition will refer cases to Ministers where the proposed exports are potentially politically sensitive or contentious, including where cases are likely to be of concern to Parliament, NGOs or the media.

## **DFID**

DFID do not have specific thresholds for escalating cases to Ministers.

## **Common Cross-departmental referrals**

In addition to departmental thresholds there are two circumstances where all departments refer cases to Ministers. These are:

(1) Contentious or politically sensitive cases.

A small number of licence refusals may have a significant impact on diplomatic and long term economic relations with another country. In these circumstances, it is helpful to raise awareness among Ministers across Government and among diplomats, ahead of any refusal decision, to help manage strategic relations with other countries. All licensing decisions in these circumstances continue to be made in line with the Consolidated Criteria.

(2) Cases for refusal to India.

All refusals for India, mainly owing to concerns about a possible contribution to weapon of mass destruction programmes, have been subject to Ministerial approval following a joint statement by the UK and Indian Prime Ministers in February 2013, which included a commitment by the UK “to make available to India the cutting edge British technology, civil and military, that the UK currently shares with its top international partners, in accordance with its international obligations”.

With respect to the request that cases which have been referred to ministers are clearly identified in the Annual Report on Strategic Export Controls, we will investigate whether and how this might be achieved.

**(105) We have heard a proposal for a “presumption of denial” in respect of open licences for exports to countries that have not signed the Arms Trade Treaty; and a similar proposal in respect of countries that are on the Foreign Office’s list of “Human Rights Priority Countries”, as set out in its Annual Human Rights Report. We can see that there are arguments for and against both proposals. The Government should review these proposals and report back, either in response to this report or in correspondence, with its findings.**

Signing or not signing a treaty is not a basis for making licensing decisions. By way of an example, Canada has not signed the Arms Trade Treaty (ATT) but the Central African Republic, which is subject to an arms embargo imposed by the UN, has.

The Government’s approach is to examine every application rigorously on a case-by-case basis against the Consolidated Criteria, taking into account the specific circumstances of the application at the time. There is no presumption either of granting or denying a licence.

Where assessed as appropriate under the Consolidated Criteria, the Government does approve applications for equipment to countries that have not signed the ATT or that feature as Human Rights Priority Countries in the FCO’s Annual Human Rights and Democracy Report, not least because many licensable goods have perfectly legitimate civilian uses. The Government does not grant export/trade licences for equipment in circumstances where we assess there is a clear risk that it might be used for internal repression, or would provoke or prolong conflict within a country, or would be used aggressively against another country.

Countries are not static in terms of the Consolidated Criteria. The Government monitors developments closely, and if the situation deteriorates and the risks increase, it is prepared to suspend or revoke licences.

**(106) In any case, we believe there must always be a more stringent process in place for any arms exports to such countries, so the Government will be able to show, if such arms exports are approved, that they would not be in breach of the Criteria.**

When making export licensing decisions for goods destined for a country that has not signed the Arms Trade Treaty or is a Human Rights Priority Country, the Government examines the political and security conditions in the destination country, the nature of the equipment to be exported, the organisation or unit which will ultimately be the user of the equipment, and all available information about how similar equipment has been used in the past and how it is likely to be used in the future. The Government consults our experts in the UK and at posts overseas and takes into account reports from NGOs and the media. Many applications, including sensitive or finely-balanced cases, are submitted to Ministers for decision.

The Government has confidence in the ability of the UK’s thorough and robust export licensing system to distinguish between exports for legitimate civilian, defence and security purposes and exports which pose unacceptable risks to human rights.

(107) **We have not looked in depth at the adequacy of the existing Criteria (although we have considered the possibility of adding a wholly new Criterion, regarding corruption—see below). This is a matter to which we plan to return in our future work, particularly in respect of Criterion 2c.**

The Government notes the Committees' conclusion.

## Reporting and transparency

(128) **Reporting and transparency are indispensable elements of a reliable and credible licensing regime. While we welcome the fact that the Government publishes a lot of licensing information, we find it a major failing that such information is in formats that are very difficult to navigate, interrogate and interpret. We note that it is left to a non-governmental organisation with a particular viewpoint (the Campaign Against the Arms Trade) and an academic institution (King's College London) to present the published official data in a user-friendly format. The Government should make clear and easily digestible the information about controlled exports that is provided to parliamentarians and the public alike. This will allow non-governmental organisations to present information in a more accurate manner; and enable interested members of the public to access relevant information about arms exports more easily, without the need to resort to an intermediary. We do not believe the failure to do so is down to a lack of resources, given that a non-governmental organisation with far fewer resources than the Government has been able to create such a data-presentation platform.**

The Government publishes comprehensive Official Statistics every quarter about export licences granted and refused, in line with the Code of Practice for Official Statistics issued by the UK Statistics Authority. In addition, we provide a searchable database allowing users to produce bespoke reports drawing on this data. We also publish an annual report.

The Government remains committed to greater openness and transparency of strategic export licensing data. The format in which the data is provided satisfies our obligation to provide data about licensing decisions, but the Government notes the Committees' recommendation and agrees that the information we publish does not lend itself to interrogation in order to extract trends or provide thematic data.

Government will consider how it might better present data and the resources required to do so. We will keep the Committees informed on this matter.

(129) **We are concerned at the continuing lack of published data in respect of open licences. The Government should address the data-quality issues that apparently lie behind this. In light of ADS Group's statement that it does not oppose a requirement for industry to publish what its members have exported under Open General Export Licences, the Government should also reinstate the commitment made in 2012 by the then government (which was later dropped) to gather and publish regarding open licences a description of the items, the destination, value (and / or quantity) and information about**

**the end-user. We welcome the statement to us by the Minister that he “will see benefit in being able to publish more information” once “new and [...] improved digital systems” are in place.**

Proposals by the then Secretary of State, Sir Vince Cable, to increase the transparency of the export licensing system, by requiring exporters to report against open export licences on actual transfers of goods, were set out in a WMS on 7 February 2012.

However, many companies expressed concerns that this would mean an unacceptable administrative burden. Consequently, Sir Vince Cable announced in Parliament on 18th July 2013 that he had decided to dispense with some proposals relating to quarterly reporting. As a result, users of open licences were only required to make reports on their usage of those licences on an annual basis. This data is reported to ECJU and checked in compliance audits but we do not yet have the right digital infrastructure to support public reporting as official statistics. Nonetheless usage data on open licences is available to search on our searchable database. Registration is required to access the database but it is free of charge.

<https://www.exportcontrol.trade.gov.uk/sdb2/fox/sdb/SDBHOME>

Our new digital licensing system is being developed to interface with HMRC’s new Customs Declaration System, which will allow better exchange of data between the two systems. This should allow us to collect data about licence usage efficiently and with confidence about its integrity. We will then be able to review what further data we can make publicly available.

**(130) Given public concern about specific licences, the High Court’s established feeling that CAEC is the appropriate scrutiny body, and the Government’s agreement to share information with CAEC in confidence in some scenarios, a more proactive approach from the Government towards the Committees should be established. In particular, the Government should share with the Committees documentation relating to arms exports, including end-user certificates, correspondence within government, details of the exporters or brokers and the value of the exports made under open export licences, along with the rationale as to how they assess these controversial shipments.**

The Government does not accept the Committees’ assertion that Government should routinely share confidential information with the Committees. Export licence applications contain information that is commercially sensitive, which may be the subject of legally-binding confidentiality agreements between the exporter and the customer or other third parties, and disclosure may also cause other harm to the exporter. It is essential for the proper operation of the licensing system that exporters have confidence that sensitive information that they provide to us will be protected. While we will continue to consider requests for disclosure in specific cases on a case-by-case basis, taking into account the nature of the information and the context in which that disclosure would occur, we cannot commit to making such information available on a routine basis.

## The Arms Trade Treaty

- (137) **We welcome the Government's commitment to promote signature of the Arms Trade Treaty by as many countries as possible. It must set out detailed plans for promoting both signature and implementation of the Treaty in its response to this report and give updates on progress in respect of these plans in its Annual Reports.**

The UK is a strong supporter of the ATT, as a key player in drafting the Treaty and one of its first signatories. We participate in the ATT's three Working Groups on Universalisation, Transparency and Reporting, and Implementation. The latter was created partly as the result of a UK proposal. Through our support to the Voluntary Trust Fund (VTF) and participation in the VTF Selection Committee, we ensure that countries seeking implementation assistance are able to access the support they need and that the selected projects will deliver concrete progress on the ground. We also support and scrutinise proposed EU spending on ATT outreach to aspiring countries and push for synergies and better coordination between ATT projects and projects under other counter proliferation instruments. We continue to lobby through multilateral organisations for more countries to join the ATT, regularly raising this issue in UN negotiations and at the OSCE. We have also encouraged membership during bilateral discussions with non-States Parties, at both Senior Official and Ministerial level. We have particularly focussed on the membership of key arms exporting and importing countries, to optimise the impact of the treaty. We will continue to provide updates on the progress of the ATT in our annual reports.

- (138) **The Government should say what evidence there is of tangible effects that have been brought about by the £300,000 that it donated to the Arms Trade Treaty Voluntary Trust Fund.**

The ATT Voluntary Trust Fund (VTF) is a flexible multi donor Fund that supports States Parties to implement their obligations under the Treaty. Since it was launched in 2016, it has received USD 6,553,012 from 14 States Parties. The UK's contribution makes it the fifth largest donor. Funding is allocated by the VTF Selection Committee on the basis of an open competition. The UK has served as a member of the Selection Committee for a two-year term since 2016 and, in August, we received confirmation that we will continue as a member for a further two years. The Selection Committee allocated USD 1,317,423 for fifteen projects in 2017 and USD 834,803 for ten projects in 2018 in Africa, Latin America and Asia. These cover nineteen countries, all on the OECD Development Assistance Committee List of aid recipients and are helping the States Parties to review and update arms transfers legislation, establish National Control Lists and data collection systems, strengthen interagency coordination between licensing and law enforcement agencies and support capacity building for parliamentarians, government officials and civil society. The first round of projects is now in the process of completion and it is too early to review their full impact. The Terms of Reference of the Trust Fund require interim and final reports to be submitted.

- (139) **It is inexcusable that in 2015 and 2016 the UK did not report on the imports of arms covered by the Arms Trade Treaty, in clear violation of its treaty obligations in this regard. The Government should set out, in its response**

**to this report, what it is doing to ensure that the required information is collected, collated and published in a timely fashion in accordance with the terms of the Treaty.**

The UK does not have a mechanism in place to collect comprehensive data relating to the importation of all controlled goods covered by the ATT. As a result of this, our annual reporting to the Secretariat in 2016 and 2017 has not included data on the importation of weapons under scope required by the ATT. Most of the items which must be reported under the ATT are not subject to import controls and therefore no licence is required from the Department for International Trade to import such goods into the UK. This means that there is no reasonable way to log all items coming in to the country. An exception to this is the importation of firearms and ammunition subject to the Firearms Acts for which a licence is required from DIT. We are not aware of any comprehensive source of data covering all categories required by the ATT.

## **Brexit**

**(166) We note with concern that the Government’s Technical Note on Consultation and Cooperation on External Security did not address the impact of Brexit in relation to arms-export control.**

The Government’s objective with regard to EU Exit is to maintain the integrity and effectiveness of the export licensing system. We aim to ensure that the UK remains compliant with its international obligations, and that there are minimal additional burdens on business and on export licensing performance. The Government’s intention remains to negotiate with the EU to maintain as much continuity as possible for the UK’s export licensing system following EU exit, and to maintain close cooperation with the EU in this area.

On 23 August the Government published a Technical Notice about exporting controlled goods in the event of no Brexit deal.

**(167) The Government should set out in detail in its response to this report:**

- **its position on the European Commission’s proposal to recast the EU Dual-Use Regulation, setting out the basis on which it is envisaged that UK-EU technical cooperation on export control of dual-use items will take place after Brexit;**
- **what it is doing regarding the need for post-Brexit licensing arrangements in respect of transfers of controlled items between the UK and the remaining EU Member States;**
- **its position regarding the continuity of the Consolidated Criteria after Brexit, including clarification of its intentions regarding the possible use of legislation to confirm the binding status of the Criteria;**
- **whether, and, if so, by what means, the UK trade-control regime will be recast after Brexit;**

- **its understanding of the consequences of UK and EU arms control policy drifting apart after Brexit, including the impact this would have on the defence and security industry, and how it plans to respond to these;**
- **its plans to deal with the possible consequences of the UK no longer participating in the EU Council of Ministers Conventional Arms Working Group after Brexit; and**
- **what the UK's post-Brexit relationship will be to the EU's denial-notification and consultation mechanism under the Common Position on Arms Exports.**

### ***Position on the recast of the Dual use Goods regulations***

The UK is a strong supporter of robust, clear and effective controls on the export of dual-use items. We view Regulation 428/2009 in its current form as functional and well balanced, and UK exporters are familiar with its provisions.

We welcome the Commission's proposal, which attempts to modernise and strengthen controls covering the export of dual-use items and to take account of the changing environment and evolving threats from technological changes.

We recognise that the recast is ambitious, seeking new controls related to human rights and international humanitarian law. We do not disagree with the Commission's goals, but we need to ensure that all new controls are practical, implementable and clear. For example: -

### ***The introduction of an EU autonomous list of dual-use items.***

The UK along with a growing number of Member States have concerns with this concept as it represents a significant departure from the established position where control lists are derived from the four recognised international export control regimes. The UK is concerned that, as proposed, the creation of EU-only controls within an existing system of international controls, will undermine the existing international level-playing field for EU exporters and have a detrimental impact on the multilateralism that has underpinned the export control regimes success to date.

### ***Government position on proposed human rights end-use control***

Although the Government is supportive of effective controls to ensure that exports do not contribute to human rights violations, the introduction of a human rights end use control is an unknown quantity as it potentially covers all goods. It relies on the competent authorities of Member States being able to make a judgement about allegations that the item would be used for directing or implementing human rights abuses by the proposed end-user. Even if this were possible, it is not clear at which point these allegations would constitute evidence sufficient to refuse an export licence. As an end use control this could apply to anything and will result in exporters who have never before been subject to export controls needing to understand and comply with an end use type control. A significant majority of Member States have expressed concerns over this additional end use control.

### ***Analysis of future UK-EU cooperation on dual-use items post Brexit and during Implementation period.***

Our overall objective is to maintain the integrity and effectiveness of the export licensing system through Brexit and beyond. The Dual-Use Regulation is to be preserved through the European Union (Withdrawal) Act which contains the necessary powers to allow amendments if required. We will negotiate with the EU to maintain as much continuity as possible, including seeking continued access to denial notification systems relating to dual-use items.

- **Post-Brexit licensing arrangements**

As was outlined in the Technical Notice about export controls published on 23 August, in a no-deal scenario the movement of dual-use items, civilian firearms and goods useable for torture or capital punishment from the UK to the EU would require an export licence. This is not currently the case and these movements would, therefore, need to be licensed in the same way as for non-EU destinations.

- **The Consolidated Criteria after Brexit**

We assess export licence applications against the Consolidated EU and National Arms Export Licensing Criteria, which is statutory guidance given to Parliament under section 9 of the Export Control Act 2002 and which gives effect to Council Common Position 2008/944/CFSP defining common rules for arms exports. After the UK leaves the EU, the Criteria will remain in force until such time as new or amended guidance is announced to Parliament.

- **The UK trade-control regime after Brexit.**

Trade controls are implemented through national legislation and not EU legislation. Brexit will not have an impact on trade controls.

- **The consequences of UK and EU arms control policy drifting apart after Brexit.**

EU Regulations relating to export control will become retained EU law under the EU (Withdrawal) Act 2018. This would mean that the regulations and lists of controlled items would stay the same, except for some minor legislative fixes.

Most of the items subject to control are set by international export control regimes, which the UK will continue to be a member of in its own right. As stated previously, the Government's intention remains to negotiate with the EU to maintain as much continuity as possible for the UK's export licensing system following EU exit, and to maintain close cooperation with the EU in this area.

- **Plans to deal with the possible consequences of the UK no longer participating in the EU Council of Ministers Conventional Arms Working Group.**

Although the UK will not have a seat on EU Working Groups after leaving the EU, we will continue to engage with EU MS on export control issues bilaterally and in international fora, including in meetings of the international export control regimes, the Arms Trade Treaty and other international agreements.

- **The UK's post-Brexit relationship to the EU's denial-notification and consultation mechanism.**

We will negotiate with the EU to maintain as much continuity as possible, including seeking continued access to denial notification systems relating to military and dual-use items.

- (168) **It would also be helpful for the Government to set out for us what information it has on the broader impact that Brexit will have on the defence and security industry.**

The Government has published a report on the analysis of the defence sector for the House of Commons Committee on Exiting the European Union. This report can be found at <https://www.parliament.uk/documents/commons-committees/Exiting-the-European-Union/17-19/Sectoral%20Analyses/11-Defence-Report.pdf>.

## Brokering

- (193) **We note the regulatory regimes operated in respect of brokers by the USA and 23 of the EU's Member States, which are significantly more stringent than that of the UK. In light of this, we reiterate the previous Committees' advocacy of a pre-licensing register of arms brokers. The Government must formally consider implementing the voluntary aspects of the EU Common Position on Arms Brokering in respect of establishing a pre-licensing registration system for brokers and requiring them to submit regular activity reports. We note that this may require legislative change. The Government should set out clearly the reasoning behind whatever decision it takes.**

The Government disagrees with the Committees' assertion that the USA and 23 EU member states regulatory regimes are significantly more stringent than that of the UK. We do not consider that a pre-licensing register of arms brokers would make the regulatory control of arms brokering more stringent. A register is often proposed as a means of establishing whether a broker is a fit and proper person to be granted a licence, but our concern is that this would amount to policing the compliant while providing no extra tools to prevent illicit brokering.

As the Committees are aware, the Government did formally consider implementing a register for arms brokers with the launch of a public consultation in 2014. The Government's response was published in July 2015. The conclusion was that there was no consensus or sufficiently powerful arguments in favour of a register to justify the additional burdens that would be imposed on legitimate businesses.

Our view is that there are better ways of strengthening brokering controls to ensure those whose activities we license are always operating within the law. For instance, we have recently changed our policy to enable licences to be refused where there is a risk that granting such a licence might facilitate illicit activity in breach of export control or sanctions legislation.

- (194) **The Government should give consideration to implementing a "fit and proper person" test for individuals apply for brokering licences, as already applies to registers under the EU Firearms Directive. The Government**

**should also consider going further than this by introducing such a test for anyone applying for an export licence. The Government should look into the potential usefulness and feasibility (taking account of resource implications) of such an approach and set out the reasoning behind whatever conclusion it reaches.**

The Government notes the Committees' recommendation. The amended Weapons Directive will require that MS introduce a register of brokers by December 2019, which must include "a check of the private and professional integrity and of the relevant abilities of the dealer or broker concerned".

This only applies to firearms dealers trading non-military firearms within the EU.

The Government's decision on these issues will be taken once the final transition arrangements are agreed under the Brexit negotiations – the transposition deadline (14 December 2019) falls after the UK is no longer a Member State of the Union.

Our new policy will enable licences to be refused where there is a risk that granting such a licence might facilitate illicit activity in breach of export control or sanctions legislation. As part of this, we will consider the conduct of the licence applicant.

**(195) The Government must provide information about where enforcement action has been taken against "brass-plate" companies engaged in brokering activities in its Annual Reports on Strategic Export Controls. We also recommend that the Government keep under review the appropriateness of its current powers to wind-up such companies in the public interest.**

Existing legislation allows enforcement action to be taken against brass plate companies and their officers, where appropriate; however there needs to be sufficient evidence to justify any such action. We continue to explore with partners across Government whether there is more we could do to address this issue. But this is a complex problem and there are no easy solutions.

**(196) We note concerns about information on brokering activities not being shared with non-EU countries, as illustrated by the recent case in which UK-based brokers were involved in the shipment of 30 million bullets from Bosnia to Saudi Arabia. While the UK should continue to share information with EU Member States, such sharing should not be limited to those countries.**

Where similar circumstances arise in future, Government will consider what relevant information may be shared with other countries beyond the EU, including States Parties to the Arms Trade Treaty, and how this might be done.

## Extra-territoriality

**(206) We reiterate the previous Committees' recommendation to extend the application of extra-territoriality to brokerage of Category C items. We heard from ADS Group that industry is prepared to work with the Government to create a workable enforcement regime that extends extra-territoriality in this way but that the Government has found it difficult to accept this "because of the resource burden it would imply". We note the Government's response**

**regarding the difficulty of post-licensing checks overseas and the need for “the return [to] be worth the considerable effort” involved but we consider that the Government must set out a plan and a timetable for implementing this.**

The Government notes the Committees’ conclusions and recommendations. However, the Government’s position remains as set out in its response - Response (CM 9089) - to the Committees’ Report, Scrutiny of Arms Exports and Arms Controls (2015) HC 608 (2014–15) (March 2015).

The Government does not accept the Committees’ conclusion and recommendation. The Government remains unconvinced that there is a compelling public interest in applying controls on UK persons outside the UK who are engaged in brokering of Category C goods between non-embargoed destinations that would outweigh the administrative burdens placed upon UK nationals engaged in legitimate business activity.

**(207) In addition, we are greatly concerned that the Government’s failure to carry out audits overseas means that the current extra-territorial controls in respect of brokering Category A and Category B items are not being properly enforced. This needs to be addressed as a matter of urgency.**

Companies based in the UK who hold open trade control licences are subject to compliance inspection.

UK persons based abroad who are engaged in trafficking and brokering of Category B military goods are also subject to trade controls. Their compliance with any licences issued is undertaken by remote audit conducted from the UK.

**(208) We are conscious that UK-connected exports of, and trade in, controlled items outside UK jurisdiction are a problematic area and we intend to look at this further.**

The Government notes the Committees’ conclusion.

## Corruption

**(227) We note the written and oral evidence to our inquiry that links intermediaries (agents, advisers and brokers) with corruption and the diversion of arms. While we are not in a position to be able to validate these allegations, we are, nevertheless, mindful of the need to be concerned about them.**

The Government notes the Committees’ conclusion.

**(228) The Government must publish, in its Annual Reports on Strategic Export Controls, the names of any individuals or companies against whom it has taken action under the provisions of the Bribery Act 2010 in relation to arms-export dealings or financing related to such dealings.**

The Government will not make public the names or details of those individuals or companies against whom action has been taken but where no conviction has taken place but will publish details of convictions in the Annual Reports on Strategic Export Controls where they relate to arms-export dealings.

**(229) We note the previous Committees' recommendation regarding the creation of an additional licensing Criterion relating to corruption. The Government must give this formal consideration and set out clearly the reasoning behind the conclusion it reaches.**

The Bribery Act 2010 represents a comprehensive anti-bribery and corruption framework. It applies to UK nationals, UK companies, foreign nationals resident in the UK and foreign companies doing business in the UK.

The Government's position is to make sure that the Bribery Act is being properly enforced, rather than conflating it with The Export Control Act 2002.

The major focus of the Government's scrutiny relating to bribery and corruption in the licensing process is the risk that goods might be diverted from their intended use. Criterion 7 requires consideration of "The existence of a risk that the equipment will be diverted within the buyer country or re-exported under undesirable conditions." Corrupt contract awards and corrupt processes further down the line can increase the risk of diversion and where there is credible evidence of such risks emerging, licence applications will be refused.

Beyond this, where the Government becomes aware of corruption in arms deals, it will take the appropriate action under the provisions of the Bribery Act 2010.

## Annex 1

Table of convictions

| Year    | Goods                                    | Destination         | Individual or Company                                   | Offence  | Penalty  |
|---------|--|---------------------|---|--|--|
| 1. 2017 | -  | -                   | -   | -  | -  |
| 2. 2016 | -  | -                   | -   | -  | -  |
| 3. 2015 | Military-grade electronics               | China via Hong Kong | Christopher Perkins<br>NXG Electronics Limited          | Convicted of 12 counts under section 68(2) of the Customs and Excise Management Act 1979<br>"Being knowingly concerned in the export of controlled goods" and 6 counts of fraud contrary to Section 1 of the Fraud Act 2006.             | 21 months imprisonment reduced (full credit for plea) to 14 months suspended for 2 years, ordered to undertake 80 hours unpaid work, pay £100 victim surcharge and costs of £5,000 (to be paid within 3 months). Confiscation proceedings commenced. |
| 4. 2014 | Specialised alloy valves                 | Iran                | Gary Summerskill<br>Delta Pacific Manufacturing Limited | Exporting controlled goods contrary to section 68(2) of the Customs and Excise Management Act 1979.  | 30 months imprisonment and ordered to pay £68,000 or serve a further 15 months in jail.<br>Company ordered to pay £1,072,000.  |
| 5. 2013 | K8 Fighter Aircraft and designated parts | Ghana               | Christopher McDowell<br>of Wellfind Ltd                 | Convicted of being knowingly concerned in the supply, delivery, transfer, acquisition or disposal of controlled goods with intent to evade the prohibition thereon, contrary to Article 9(2) of the Trade in Goods (Control) Order 2003. | Two years imprisonment suspended for two years on completion of 200 hours community service  |

|    |      |  |                |                           |  |   |
|----|------|--|----------------|---------------------------|--|---|
| 6. | 2013 | Surface to air missiles and small arms               | Azerbaijan     | Michael Ranger            | Convicted of being knowingly concerned in acts calculated to promote the supply or delivery of goods subject to trade controls with intent to evade the prohibition contrary to Section 34(5) of the Export Control Order 2008.                                      | Three and a half years imprisonment   |
| 7. | 2012 | AK-47 assault rifles, rifles, pistols and ammunition | Nigeria        | Gary Hyde                 | Convicted of two counts of being knowingly concerned in the movement of controlled goods, contrary to Article 9 (2) of The Trade in Goods (Control) Order 2003. Also convicted of one count of concealing money, contrary to s327 of the Proceeds of Crime Act 2002. | Seven years imprisonment.   |
| 8. | 2011 | Electrical switch gear                               | Iran           | Arbrene Hussain           | Export of prohibited items contrary to section Customs and Excise Management Act 1979 section 68(2)  | Hussain sentenced to 6 months imprisonment suspended for 2 years and 100 hours unpaid work<br>Confiscation proceedings to follow  |
| 9. | 2010 | Armoured vehicles, Body Armour and Helmets           | Jordan<br>Iraq | Jason Teal<br>Glynn Jones | Export of controlled goods contrary to Customs and Excise Management Act 1979 section 68(2) and trade in controlled goods contrary to Trade in Goods (Control) Order 2003 article 9(2)   | Teal sentenced to 2 years imprisonment.<br>Confiscation Order £9,000.<br>Costs £39,000<br><br>Jones sentenced to 50 weeks suspended for 2 years 200 hours community service |

|     |      |   |                     |                                   |   |  |
|-----|------|---|---------------------|-----------------------------------|---|--|
| 10. | 2010 | Machine guns  | Nigeria             | Ghulum Sayeed                     | Trade in military goods contrary to Trade in Goods (Control) Order 2003 article 9(1)  | Conditional discharge for 18 months.<br>Costs £1,000   |
| 11. | 2010 | Chemicals   | Israel<br>Thailand  | Avocet Dye Chemical               | Export of controlled goods contrary to Customs and Excise Management Act 1979 section 68(2)                                 | Fine £5,000.<br>Confiscation Order £18,818.<br>Costs £2,041.   |
| 12. | 2010 | Rifle scopes  | Iran                | Andrew Faulkner                   | Export of military goods contrary to Customs and Excise Management Act 1979 section 68(2)                                   | Sentenced to 30 months imprisonment  |
| 13. | 2010 | Chemicals   | China               | Avocado Research Chemicals        | Export of controlled chemicals contrary to Customs and Excise Management Act section 68(1)                                  | Fine £300.<br>Costs £100.  |
| 14. | 2010 | Body Armour   | Thailand            | Mr Varunprabha                    | Export of military goods contrary to section Customs and Excise Management Act 1979 section 68(2)                           | Conditional discharge for 12 months  |
| 15. | 2010 | Supply of bombs, armour piercing ammunition and other weapons | Sri Lanka<br>Israel | Gideon Sarig<br>Howard Freckleton | Trading in controlled goods with intent to Evade prohibition contrary to Trade in Goods Control Order 2003 – article 9(2).  | Total of 16 years imprisonment<br>Freckleton: Confiscation Order £1,500,000.<br>Costs £25,000<br>Sarig: Confiscation Order £260,652.12.<br>Costs £25,000 |
| 16. | 2010 | Tasers  | New Zealand         | Caroline Egley-Turner             | Trading in controlled goods with intent to evade prohibition contrary to Trade in Goods Control Order 2003 – article 9(2) 6 | 6 months sentence suspended for 12 months.<br>Confiscation Order £24,802.<br>Costs £36,197   |

|     |      |  |                |  |  |  |
|-----|------|--|----------------|--|--|--|
| 17. | 2010 | Radiation detection equipment  | Iran           | Philip Bisgrove  | Export of controlled goods contrary to Customs and Excise Management Act 1979 section 68(2)  | Sentenced to 8 months imprisonment.<br>Confiscation Order £25,070.65.<br>Costs £25,000   |
| 18. | 2009 | 15 Military personnel carriers   | Sudan          | Andrew Jackson<br>Steven Smithey                             | Exportation of goods Contrary to the Customs & Excise Management Act 1979 Section 68   | Jackson sentenced to 2 years 8 months imprisonment.<br>Smithey sentenced to 8 month suspended sentence<br>Confiscation Order £369,000. |
| 19. | 2009 | Military equipment including parts for F14                             | Iran           | Mohsen Akhavan Nik<br>Mohammad Akhavan Nik<br>Nithish Jaitha | Export of military goods contrary to Customs and Excise Management Act 1979 – section 68(2) Trade in Military goods contrary to Trade in Goods Control Order 2003 – article 9(2) | Total of 10 years imprisonment.<br>Confiscation Order £978,774   |
| 20. | 2008 | 3 Military Land Rovers and 2 Military Unimog Lorries                   | Sierra Leone   | Milestone Trading Ltd  | Attempted exportation of goods contrary to the Customs and Management Act 1979, Section 68 (1)   | £671 fine plus £200 costs.   |
| 21. | 2007 | 100g of 2-Diisopropylaminoethyl chloride hydrochloride and 10g Hafnium | Egypt          | Avocado Research Chemicals Ltd                               | Exportation of goods contrary to the Customs and Management Act 1979, Section 68 (1)   | £600 fine plus £100 costs  |
| 22. | 2007 | MPT9 Sub-machine Guns  | Iran to Kuwait | John Knight of Endeavour Resources Ltd                       | Trafficking weapons contrary to Article 9(2) of The Trade in Goods (Control) Order 2003.   | 4 years imprisonment.<br>£53,389.51 confiscation order   |
| 23. | 2007 | Gyro-compasses   | Iran           | Mehrdad Salashoor  | Exportation of goods Contrary to the Customs and Excise Management Act 1979, Section 68 (2)  | 18 months imprisonment.<br>£432,970 confiscation order under the Proceeds of Crime Act 2002  |

## Annex 2

### Compound Penalties and Seizures

| Compound Penalties |                                 |                  | Seizures of strategic goods in breach of licensing requirements or sanctions and embargoes |                       |
|--------------------|---------------------------------|------------------|--|-----------------------|
| <i>Year</i>        | <i>No of compound penalties</i> | <i>Value (£)</i> | <i>Year</i>  | <i>No of Seizures</i> |
| 2017               | 1                               | £5,360           | 2017   | 118                   |
| 2016               | 2                               | £34,576          | 2016   | 183                   |
| 2015–2016          | 5                               | £61,200          | 2015–2016  | 232                   |
| 2014–2015          | 6                               | £257,906         | 2014–2015  | 225                   |
| 2013–2014          | 8                               | £447,000         | 2013–2014  | 450                   |
| 2012–2013          | 8                               | £520,000         | 2012–2013  | 280                   |
| 2011–2012          | 8                               | £503,700         | 2011–2012  | 141                   |
| 2010–2011          | 11                              | £359,000         | 2010–2011  | 134                   |
| 2009–2010          | -                               | -                | 2009–2010  | 115                   |
| 2008–2009          | -                               | -                | 2008–2009  | 50                    |
| 2007–2008          | -                               | -                | 2007–2008  | 55                    |

Until 2016 information was recorded over financial years.