

SECTION 1

Policy Issues Relating to Strategic Export Controls

Domestic Policy

1.1 Overview

The UK system for the licensing of Strategic Export Controls is operated by a single Export Licensing Community. This Community comprises five Government departments: the Department of Trade and Industry (DTI), the Foreign and Commonwealth Office (FCO); the Ministry of Defence (MOD), the Department for International Development (DFID) and Her Majesty's Revenue and Customs (HMRC).

EXPORT LICENSING COMMUNITY JOINT MISSION STATEMENT

“Promoting global security through strategic export controls, facilitating responsible exports”

Guiding Principles

We shall implement effectively the UK's framework of strategic export controls so as to ensure that sensitive goods and technology are kept out of the wrong hands. In so doing we shall facilitate responsible defence exports, as these depend on a sound regime of controls.

We shall administer the licensing system efficiently so that we keep the compliance burden on UK exporters to the minimum. In particular we shall therefore:-

- within the framework of our case by case approach, ensure maximum predictability for exporters by taking decisions which are consistent with the Consolidated EU and National Export Licensing Criteria and our policy statements
- aim to meet our published performance indicators which set us challenging targets for processing applications in a timely manner
- be transparent about our performance and operations, including by publishing an Annual Report
- establish a dialogue with exporters, our customers, to enable us to understand their concerns and them to understand our requirements. We shall support them in complying with the process through services such as the DTI's website, and awareness activities and ratings. We shall keep our licence products under review to ensure they remain appropriate as circumstances change
- benchmark ourselves against comparable licensing authorities elsewhere so that we capture best practice and ensure that we are leaders in our field.

DTI Export Control Organisation is the licensing authority for strategic exports in the UK. It sets out the regulatory framework under which licence applications are considered, and the Secretary of State for Trade and Industry takes the formal decision to issue or refuse export licence applications in accordance with the appropriate legislation and announced policy.

The FCO and MOD act in a policy advisory capacity, providing the ECO, with advice and analysis on the foreign and defence policy aspects relevant to consideration of export licence applications against the Consolidated EU and National Arms Export Licensing Criteria (for the full text of the Criteria see Annex E). For the FCO this involves all applications passing through the Export Licensing Team (ELT). Depending on the application's complexity, ELT may then pass it on to one of several other Departments within the FCO, and to our Mission in the country concerned for further consideration. This process regularly involves consultations with the International Organisations Department of the FCO, to ensure that the potential export is not in contravention of our international commitments (Criterion 1). All licence applications to countries where we have concerns about human rights issues (Criterion 2) are referred to the Human Rights, Democracy and Good Governance Department for its consideration. Our network of overseas posts are also able to make a valuable and informed contribution to assessing applications, specifically when assessing licences against Criteria 2, 3 and 4. For potentially contentious decisions or in the event of a disagreement between officials, applications are submitted to Ministers for a final decision. (This occurred on 54 occasions during 2006.) Only after completion of this detailed and wide-ranging risk assessment, is a recommendation then passed back to ECO. Despite this rigorous assessment process, the FCO were able to process 91% of all SIEL applications within 10 days, against an agreed Government target of 70%.

The advice MOD provides on Export Licence Applications similarly reflects the results of an internal process to bring to bear a variety of expertise. In particular this routinely involves seeking the views of those responsible for protecting the capability of the UK's Armed Forces, and specialists from the security and intelligence fields. In addition, MOD has a procedure (known as the Form 680 process) for ensuring that companies seek clearance to use classified information they hold for the purposes of marketing their products overseas. Companies must also seek such clearance for the supply of classified goods. This procedure also benefits the licensing process, because clearance is refused if there is no prospect of a licence being approved for a given combination of product and export destination.

DFID provides specific expertise and advice in considering applications to those developing countries eligible for concessional loans from the World Bank's International Development Association. DFID assesses the risk of whether a proposed export would seriously undermine the economy or seriously hamper sustainable development in the recipient country. However, DFID may also ask to see applications in respect of other countries of concern as the Department has a significant interest in exports that might contribute to conflict or human rights abuses in these states.

HMRC is the enforcement body for UK export controls, and undertakes enforcement action and investigation with a view to prosecution in appropriate cases (see section 1.6 below).

1.2 Legislation

The Primary legislation covering the export of strategic goods from the UK is the Export Control Act 2002. The Act is implemented by secondary legislation (“Orders”) under the Act.

The Export of Goods, Transfer of Technology and Provision of Technical Assistance (Control) Order 2003 reproduced the export controls on physical exports that pre-dated the 2002 Act but introduced new controls covering the electronic transfer abroad of military technology. This brought controls on military technology into line with similar European Community (EC) controls on the electronic transfer of dual-use technology.

The Trade in Goods (Control) Order 2003 introduced controls to cover trade in military equipment between two overseas countries where any part of the trading activity takes place in the UK whether by a UK person (individual or company) or a foreign visitor or resident. This coverage is further extended to include UK persons operating wholly overseas (i.e. where no part of the deal actually takes place on UK territory) trading in Restricted Goods (i.e. Torture Equipment and certain long range missiles and their components) to any destination, or trading in controlled military goods to embargoed destinations.

Council Regulation (EC) 1334/2000 set up a Community regime for the control of dual-use items and technology (the Regulation was adopted in June 2000).

1.3 Transparency and accountability

The House of Commons Select Committee on Strategic Export Controls (the Quadripartite Committee) has continued its scrutiny of export licensing decisions throughout the year. Since the last Annual Report the Government has further refined the information passed to the Committee in the quarterly Reporting of our Strategic Exports, as well as the layout and format of the information provided. The Government has also continued its practice of making as much information as possible available to the Committee in response to its requests. Every effort is made to ensure that as much information as possible is made public.

In addition, the Government has continued to make Ministers available to give oral evidence to the Committee. The DTI Minister of State with responsibility for Export Controls, Malcolm Wicks MP, appeared before the Committee on 13 March 2006. FCO Minister of State, Dr Kim Howells MP gave evidence on 25 April 2006, DFID Minister of State, Gareth Thomas appeared before the Committee on 1 March 2007 and officials from HMRC and from the HM Revenue & Customs Prosecution Office appeared on 25 May 2006. Transcripts of each of these evidence sessions are available on the Quadripartite Committee pages of the Parliamentary website - (www.Parliament.gov.uk).

The Government is committed to increasing the level of transparency and quality of information it provides to both Parliament and the general public wherever possible. We regard this process as on-going and continue to welcome suggestions for improvements from all stakeholders. As an example of this policy, this year's report includes a detailed summary and commentary on exports to embargoed destinations.

1.4 Awareness

The Government has undertaken an extensive awareness campaign for industry around the UK. Twenty-five seminars and training courses were held nationwide during 2006, and these were attended by over 500 people from 180 organisations. These comprised: Beginners' Workshops for those who have just started in the export control business; Intermediate level seminars, covering a number of issues including exporting technology, the different sorts of licences available, company compliance with export control legislation and the UK control lists; Open Licences and Compliance seminars; and Control List Classification workshops.

ECO staff have also given a number of presentations over the past twelve months to individual companies, HM Revenue & Customs, Chambers of Commerce and Trade Associations.

The Government has also published, on the ECO website, a list of Iranian entities of potential WMD concern. The list is intended to help exporters judge which exports might potentially be of concern on WMD end use grounds, based on previous licensing decisions, and when they should contact the ECO for advice. Inclusion of an entity on the list does not necessarily indicate that an export licence would be refused, nor non-inclusion that there are no end-use concerns.

In 2006 over 2,600 individuals from 47 countries registered to use ECO's two new web-based tools which help exporters find out if their products needed a licence and, if licensable, whether an open general licence potentially covered proposed exports. The first of these tools, "Goods Checker", was made available at the end of 2005 and can be accessed at www.ecochecker.co.uk/goodschecker. Goods Checker provides a web based search function across the Consolidated UK Strategic Export Control List.

The second tool, "OGEL Checker", was made available in May 2006 at www.ecochecker.co.uk/ogelchecker. Users who know the rating (control list classification) of their goods and the destination country for the proposed export, can use the tool to find out which Open General Export Licence(s) may cover the export, provided all the conditions can be complied with.

A new workshop was developed and delivered twice at the end of 2006 to assist exporters in assessing their goods against the control list, using Goods Checker, and in using OGEL Checker to see if any OGELs may be used when exporting their products.

1.5 Compliance

In 2006 Export Control Compliance Officers undertook 567 (568 in 2005) visits to companies and individuals holding Open Individual and Open General licences both

for exports and trade activity. The purpose of these visits is to establish whether the terms and conditions of the licences are being adhered to. Approximately 59% (76% in 2005) of these visits showed the companies to be fully compliant with the terms of their licences. Of the remaining 41% (24% in 2005), many of the errors found were minor and rectified by the time the companies were visited again.

1.6 Enforcement

HM Revenue & Customs (HMRC) enforces the UK's strategic export controls using a combination of multifunctional teams and specialist strategic export control teams. The majority of HMRC officers are multifunctional, covering a wide range of fiscal controls as well as other regimes, prohibiting or restricting the import and export of goods. All are equipped to carry out a range of duties, and are supported by specialist teams when necessary.

Enforcement of export controls on military and dual-use goods continues to be a high priority for HMRC. In addition to the existing export controls, HMRC have extended their controls this year to enforce the recently imposed United Nations Sanctions against North Korea and Iran. HMRC also continue to work with a number of governments to implement the Proliferation Security Initiative, which is designed to prevent the proliferation of weapons of mass destruction and missile delivery systems.

As part of its role as the enforcement body for UK export controls, HMRC has an enforcement role in relation to both the physical exports and the export of military and WMD technology by electronic means (e.g. by fax and e-mail). HMRC is also responsible for enforcing the trade controls and the provision of technical assistance in relation to the development of weapons of mass destruction.

1.7 HMRC Seizures

The table below outlines the number of cases where HMRC action resulted in the seizure of strategic goods (Military List or Dual-Use list items):

Table 1.1

Financial Year	HMRC Strategic Exports and Sanctions Number of Seizures
2001-02	80
2002-03	67
2003-04	63
2004-05	37
2005-06	34

In 2005-06 HMRC also took action in a further 38 cases to prevent the export of goods that could have been used in WMD programmes in destinations of concern. During the same period, HMRC took enforcement action in 42 cases where breaches of the controls were identified by DTI Compliance Officers. The following table outlines successful prosecutions for breaches of the strategic export controls:

Table 1.2 HMRC Prosecutions for strategic exports offences

Financial Year	Goods	Destination	Person or company concerned	Offence	Penalty
2003-04	Aluminium	Pakistan	David Lee Nicklin of AM Castle & Co Ltd	Exportation of goods in breach of the Customs and Excise Management Act 1979, Section 68(1)	£1,000
2004-05	Aircraft parts	Iran	Saroosh Homayouni	Exportation of goods in breach of the Customs and Excise Management Act 1979, Section 68(2)	18 months imprisonment (suspended); banned from being company director for 10 years; asset forfeiture order for £69,980
2005-06	Body armour	Pakistan	Praetorian Associates	Exportation of goods in breach of the Customs and Excise	£2,500 fine

				Management Act 1979, Section 68(1)	
2005-06	Body armour	Kuwait Iraq Saudi Arabia	Vestguard UK Ltd	Exportation of goods in breach of the Customs and Excise Management Act 1979, Section 68(1)	£10,000 fine
2006-07	Body armour and helmets	Kuwait and Iraq	Peace Keeper International Ltd	Exportation of goods in breach of the Customs and Excise Management Act 1979, Section 68(1)	£10,000 fine
2006-07	Military helmets and flak jackets	Kuwait	Winchester Procurement Ltd	Exportation of goods in breach of the Customs and Excise Management Act 1979, Section 68(1)	£8,000 fine

In 2006-07 HMRC also issued compound penalties to two companies, in lieu of criminal proceedings, one for the sum of £5,000 and one for the sum of £15,000.

1.8 RESOURCES ON ENFORCEMENT AND OUTREACH

HM Revenue & Customs (HMRC) has a full-time permanent Headquarters Unit dealing with strategic export control and sanctions enforcement. In addition, HMRC has two national specialist operational teams carrying out investigations and intelligence work in this field.

The more routine and day-to-day checks in relation to strategic export control are undertaken by officers within a number of different branches of the Department. Staff within Detection units carry out physical examinations of cargo at ports and airports, and also enforce passenger controls.

Officers in Entry Processing teams carry out checks on documents and customs declarations for goods leaving the UK. These officers also check and process DTI export licences. Inland, officers within HMRCs Large Business Service and Local Compliance teams audit the business records of UK exporters, and ensure they are complying with UK and EU regulations and have appropriate internal controls.

These officers also have access to a range of technical support and advice from a number of other HMRC teams including Departmental solicitors.

In 2006, HMRC officers participated in strategic export control outreach and capacity building to officials from a number of countries, including Albania, China, Croatia, Pakistan and Serbia. HMRC officers also participated in a number of other international strategic export control meetings and conferences, including the four annual export control regime meetings.

DTI have 4 full time members of staff involved in outreach, with others called in when necessary.

SECTION 2

International Policy

For domestic policy to be effective, it must reflect our wider international obligations under the various export control regimes, which underpin international non-proliferation treaties and arrangements. The UK rigorously implements our own commitments under these regimes. We also work actively with our partners to strengthen these regimes through ensuring that the controls currently in place to prevent proliferation are effective, and universally respected.

2.1 Policy Analysis of Exports to Embargoed Destinations

The UK takes very seriously its obligations under UN, EU, OSCE and our own national embargoes, as well as any other international restrictions to which we are a party on the export of military and other controlled goods, including those of strategic concern.

The following list of countries were subject to an embargo of the UN or EU in 2006 (this does not include those that are subject to other restrictions or a more limited sanction by virtue of proximity to an embargoed destination):

- Burma
- People's Republic of China (not including Hong Kong or Macau)
- Democratic Republic of Congo
- Iran
- Iraq
- Lebanon
- Liberia
- North Korea (DPRK)
- Rwanda
- Sierra Leone
- Somalia
- Sudan
- Uzbekistan
- Zimbabwe

A full list of the UK's international commitments is at Annex D.

Assessment of applications for countries subject to an embargo

All export licences are assessed against the Consolidated EU and National Export Licensing Criteria on a case by case basis. This also takes into account prevailing circumstances and announced Government policies at the time of application. The consideration of embargoes falls under Criterion One of the Consolidated Criteria. It states:

'The Government will not issue an export licence if approval would be inconsistent with inter alia:

the UK's international obligations and its commitments to enforce UN, OSCE and EU arms embargoes, as well as national embargoes observed by the UK and other commitments regarding the application of strategic export controls.'

Those countries subject to an embargo may nevertheless need to import controlled equipment, including for peace keeping (equipment for NATO personnel for example) or humanitarian (de-mining equipment for example) purposes. Where the embargo does not apply to an export or activity, for example because it falls within an exemption, the licence is then assessed against the remaining Consolidated Criteria.

The following section will give an insight into how HMG assesses a licence to an embargoed destination.

Case Study 1: Burma

There has been an EU arms embargo on Burma since 2004. The Common Position (2006/318/CFSP) was a result of 'the failure of military authorities to enter into substantive discussions with the democratic movement; the failure to allow a open and genuine National Convention; the continued detention of Daw Aung San Suu Kyi; serious human rights abuses; and increasing restrictions on international organisations and non government organisations.' The embargo covers equipment that might be used for internal repression or terrorism and 'the sale, transfer or export of arms and related material of all types including weapons and ammunition, military vehicles and equipment, paramilitary equipment and spare parts for the aforementioned...'

There are however exemptions to the embargo. These include items of non-lethal military equipment 'intended solely for humanitarian or protective use, or for the institution building programmes of the UN, the EU and the Community, or of material intended for EU and UN crisis management operations'. Also exempt is the 'sale, supply, transfer or export of de-mining equipment and material for use in de-mining operations; provision of financing or financial assistance related to such equipment or to such programmes and operations and the provision of technical assistance related to such equipment or to such programmes and operations'.

The embargo also makes an exemption for 'protective clothing, including flak jackets and military helmets, temporarily exported to Burma/Myanmar by UN personnel, personnel of the EU, the Community or its Members States, representatives of the media, humanitarian and development workers and associated personnel for their personal use only.'

In 2006, no SIELS were authorised for Burma, 2 OIELS and 1 OITCL were approved. The equipment on the OIELS included 1) towed hydrophone arrays which are to be used for gathering seismic data offshore, in lakes and waterways inshore and 2) the technology for the production of toxins, which was to support production of a pharmaceutical product by the Burmese Government. The OITCL was issued for armoured all wheel drive vehicles for the protection of British Embassy personnel.

All three items approved were deemed to fall outside the terms of the embargo. HMG was satisfied that there was no clear risk that the equipment would be used in contravention of any of the other Criteria.

2006 saw 1 refusal for an export licence for Burma. The items on the licence were replacement main tyres for an aircraft. The refusal was based on the information that the tyres were for combat aircraft, and therefore were military listed. Any military listed items fall under the embargo, and therefore the licence was refused under Criterion 1.

There were wide ranging internal consultations on each application. This included other Government departments such as DTI, MoD and DFID, as well as the British Embassy in Rangoon, internal Foreign and Commonwealth Office departments notably the lead department on Burma, the Human Rights and Good Governance Department and the International Organisations Department. These departments provided specialized information and insight into issues regarding human rights, international sanctions and bilateral Burma issues.

In assessing the applications, officials followed the Best Practice Guidance in the User's Guide to the EU Code of Conduct. Best Practice guides have been completed for all the Criteria (Annex F). The purpose of the User's Guide is to encourage harmonization in the way all EU Member States apply the Criteria. There are also a number of technical or commercial websites that can be used to gather further information about specific equipment. This is particularly useful to verify specific end-use details.

Case Study 2: Lebanon

Lebanon has been subject to a UN arms embargo since August 2006. The embargo was implemented under UN Security Council Resolution (UNSCR) 1701, which came into force after the armed conflict in Lebanon in the summer of 2006. UNSCR 1701 calls for the "disarmament of all armed groups in Lebanon, so that...there will be no weapons or authority in Lebanon other than that of the Lebanese state." The resolution calls for the Government of Lebanon to secure its borders and other entry points to prevent unauthorised entry of arms. The UN embargo covers "*arms and related materiel of all types, including weapons and ammunition, military vehicles and equipment, paramilitary equipment, and spare parts for the aforementioned...*"

In September 2006, in response to UNSCR 1701 the Council of the EU adopted a Common Position and Council Regulation to give effect to the arms embargo within the EU. The embargo does not apply to arms, related material, training or assistance authorized by the Government of Lebanon or by the United Nations Interim Force in Lebanon (UNIFIL).'

9 SIELs were issued for Lebanon in 2006. The equipment on the licences included: Body armour, bomb suits, military helmets and related components for mine clearance operations; Components for equipment employing cryptography for communication purposes.

17 OIELS were issued for Lebanon in 2006. The equipment on the licences included: Technology for the use of improvised explosive device disposal equipment for explosive ordnance and improvised explosive device bomb disposal; Equipment and components employing cryptography for civil telecommunications purposes.

After the embargo was put in place 7 OIEL licences in contravention of the arms embargo were revoked. The licences were not authorised by the Government of Lebanon or UNIFIL and the equipment in the licences is covered by the embargo. Authorisation for these exports of equipment is currently being sought, as the goods do not contravene any of the remaining Consolidated Criteria.

HMG is satisfied that for all export licence applications granted after the embargo came into force, the equipment was not in contravention of the embargo or the Consolidated Criteria. There were wide-ranging consultations on each application, including with the British Embassy in Beirut and other Government Departments such as DTI and MOD. In assessing licences after the implementation of UNSCR 1701 our International Organisations Department, which provides specialised information on international sanctions, was contacted. For relevant licences the FCO's Human Rights and Good Governance Department and the lead department on Lebanon were also consulted.

Case Study 3: Zimbabwe

There has been a UK arms embargo on Zimbabwe since 12 May 2000. In addition, there has been an EU embargo on Zimbabwe since 2002 – implemented by Common Position 2002/145/CFSP. The embargo applies to arms, and related technical assistance and for items that could be used for internal repression. There are exemptions to the embargo. These include: items of non-lethal military equipment intended solely for humanitarian or protective use and protective clothing exported under certain conditions. The embargoes were introduced because of our and EU partners' deep concerns about the continuing violence, illegal occupations of land, the failure to uphold the rule of law and the failure to hold fair elections.

In 2006, no SIELS were issued for Zimbabwe. 2 were refused. One was for a cargo vehicle. This was refused on the grounds that the vehicle was in fact military rated. (Any military listed items are caught by the terms of the embargo, and are therefore refused under Criterion 1. This licence was also refused under Criterion 7 due to diversion concerns.) The second licence was for thermal imaging equipment and was also refused under Criterion 1. We had concerns that the equipment could be used for internal repression.

1 OIEL was issued in 2006 for corrosion resistant chemical manufacturing equipment. This OIEL was for mass transfer equipment for use in the chemical and petrochemical industries to separate or remove various chemicals in a mixture. Typical examples of this type of this equipment are absorption and distillation columns. The equipment is widely used in the chemical industry for the manufacture of many types of chemical and also in the petrochemical business to separate the various types of oils. The end users in this OIEL were companies not linked to government contracts.

A Standard Individual Trade Control Licence was also issued for an armoured all-wheel drive vehicle. The vehicle was for use by a diplomatic mission in Harare.

The decision to issue these licences was taken after consultation between the FCO, MOD, DTI and DFID, as well as the British High Commission in Harare and geographical desk that deals with all bilateral UK-Zimbabwe issues, and the International Organisations Department. Having considered the equipment and its end use, the decision was taken that the equipment was consistent with the embargo and the Consolidated Criteria, and would not be used for internal repression.

2.2 Arms Trade Treaty

We remain committed to securing a legally binding global treaty on the trade in conventional arms. Our aim is to ensure that all countries adopt and adhere to high standards in the conduct of the arms trade, with the goal of ensuring that sales are not allowed which will:

- provoke or worsen conflicts;
- be used by human right abusers or to violate international humanitarian law;
- destabilise countries or regions; undermine sustainable development; or
- allow arms to flow from the legitimate to the illicit market.

In 2006 we set out to secure agreement to a formal UN process to take this work forward. Recognising the growing global support for the initiative, from a cross section of countries, in July 2006 we, along with Argentina, Australia, Costa Rica, Finland, Japan and Kenya, we launched a draft UN Resolution.

Working with supportive countries and with NGOs we secured further backing and in October 2006, with 77 co-sponsors, the Resolution was formally introduced at the United Nations First Committee. Later in October support had grown and 139 countries voted in favour. In December the Resolution was adopted by the United Nations General Assembly, with 153 countries in favour, 24 abstaining and only one country voting against.

The Resolution, which made clear the importance of human rights and international humanitarian law, called on the UN Secretary General to seek views from countries on the “feasibility, scope and draft parameters” of a treaty and report back to the UN in 2007. The Secretary General will then set up a Group of Governmental Experts (GGE) to look at these issues in 2008, and report back to the UN First Committee later that year. After the GGE reports back decisions will then be taken on the next steps.

Recognising the importance of ensuring countries have a say in this process we worked with the co-authors of the ATT Resolution to encourage contributions to the UN process. With the long-term goal of having all countries participate in a treaty, we have encouraged supporters, and those less convinced of the initiative, to get involved in the UN process.

The Foreign Secretary Margaret Beckett, made our continued commitment to the initiative clear when speaking in Parliament on 16 January 2007.

“The United Kingdom has led international efforts to secure a legally binding treaty to end the irresponsible trade in arms worldwide. On 6 December 2006 we successfully pushed through a resolution establishing a UN process to work towards a treaty, and we will continue to build support for the initiative in UN discussions during 2007 in preparation for the meeting of the group of governmental experts in 2008, which will look at the draft parameters of a treaty.”

In early March 2007 we submitted the UK contribution to the UN, in which we made clear that we envisage a legally binding treaty that should:

- Set standards for the arms trade, ensuring respect for human rights and international humanitarian law, sustainable development, and good governance. At the same time maintaining the right of all states to participate in the arms trade.
- Cover all international transfers of all conventional arms (including Small Arms and Light Weapons), parts, ammunition, and the technology to produce and maintain such equipment. We also suggest coverage of related dual use items should be considered.
- Include an information sharing process and enforcement and monitoring mechanism.

The full text the UK contribution is at Annex I.

2.3 Small Arms and Light Weapons (SALW)

The UK remains committed to actively working towards the reduction and eventual elimination of the uncontrolled spread of illicit SALW. In 2006 we continued work under the UK-led Transfer Controls Initiative (TCI), to build on regional approaches, to agree global criteria for SALW transfers. Since the launch of the TCI 4 years ago the UK has sponsored a number of regional workshops and seminars (e.g. in Sri Lanka, Peru, Geneva, Nairobi and Nicaragua) to develop regional agreement on transfer controls. In April 2006, at a UK-Kenya sponsored meeting in Nairobi, representatives of 11 governments and civil society from all regions of the world produced draft global guidelines for national controls governing transfers of SALW. These build on the commonalities of various existing regional agreements.

The 2001 United Nations Programme of Action (UNPoA) to Prevent, Combat and Eradicate the Illicit trade in Small Arms and Light Weapons in All its Aspects provides the framework through which the UN concentrates its efforts to tackle SALW issues. The first Review Conference of the PoA took place in New York between 26 June and 7 July 2006. This was the first formal opportunity for the international community to review progress. Despite the meeting not agreeing formal recommendations, well over 100 states expressed support for further work on global transfer standards. The UK, with other supporters of TCI will continue to work to build broad international support for global guidelines.

Building on successful work in 2005 which agreed an instrument on marking and tracing SALW, the UK is now actively participating in a UN Group of Governmental Experts to consider further international co-operation on brokering in SALW.

The UK is also one of the strongest supporters of transparency in the field of conventional arms and we actively promote the continuing development and operation of the United Nations Register of Conventional Arms. In 2006 we successfully argued for greater coverage of SALW in the Register.

The joint efforts of FCO, MOD and DFID under the Global Conflict Prevention Pool (GCPP) SALW strategy contribute towards a coherent response to the reduction of small arms proliferation and armed violence worldwide. The strategy takes a holistic approach to the problem, seeking to tackle the supply, demand and availability of SALW. As well as promoting small arms transfer controls, this is achieved through support for the implementation of existing regional and national agreements on SALW; the collection and destruction of weapons; better stockpile management; awareness raising and education programmes.

2.4 EU Code of Conduct

The EU Code of Conduct on Arms Exports was adopted in June 1998. It established eight criteria, which EU Member States agreed to use when considering licence applications for the export of goods on the EU Common Military List. The Code also established a system of confidential consultation on licence denials. This system was aimed at encouraging greater coherence and transparency in decision-making, by obliging partners to consult each other on essentially identical transactions. This process also helps reduce the scope for unscrupulous end-users to “shop around” the EU hoping to secure the export of equipment which had already been denied by another member state. All these steps represent an important collective acknowledgement by EU Member States of the negative impact that inappropriate and irresponsible arms exports can have, and the practical action Member States can take to prevent them.

The Code also has a User’s Guide, which was first developed to improve the efficiency of the denial notification and consultation system. The User’s Guide is now being developed further with the aim of sharing best practice in the application and common understanding of the Code Criteria across the EU. In 2006, Member States were able to agree “Best Practice” guidance for both Criteria 3 and 4. Best Practice guides for 1, 5 and 6 were agreed in 2007 during the German Presidency. The full text of the already completed sections of the “User’s Guide” is reproduced in Annex F of this Report.

The EU also produces an Annual Report that provides a useful country by country breakdown of each Member States’ exports. The Ninth EU Annual Report was produced in October 2006. Many Member States also produce their own National Reports, some of which are available via the Internet. Annex G to this Report provides a list of those currently available.

2.5 EU Torture Regulation

The EU Regulation on the Trade in Torture Equipment came into force on 30 July 2006. This concerns the trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment. The Regulation bans the import, export, or provisions of technical assistance in relation to equipment listed at Annex II, and brings the equipment listed at Annex III under control. We will work with other Member States and the Commission to introduce additional equipment for control where appropriate.

UK trade controls were extended to cover all equipment listed in the Regulation. This means all trade in the listed items is controlled under the Trade in Goods (Control) Order 2003 and the trade in Controlled Goods (Embargoed Destinations) Order 2004.

The EU Regulation is fully binding and has direct effect in all EU Member States. The UK already had in place its own comprehensive national controls on torture equipment since 1997. This included a prohibition on the export of devices designed to administer an electric shock, such as electric batons, and on leg irons or gang chains. The Regulation allowed us to maintain the already high level of control we had in place in relation to this type of equipment.

2.6 Wassenaar Arrangement

The twelfth Plenary meeting of the Wassenaar Arrangement (WA) was held in Vienna, 5-6th December 2006. This meeting marked the 10th Anniversary of the WA, which was established to contribute to regional and international security and stability by promoting transparency and greater responsibility in the transfers of conventional arms and dual-use goods. There are currently forty Participating States, with representation from all continents.

The Plenary agreed to a number of amendments to its control lists to keep pace with advances in technology, market trends and international security developments, such as the threat of terrorist acquisition of military and dual-use goods and technologies. The Plenary also approved new guidelines on licensing and best practices relating to the implementation of controls on intangible technology transfers. As 2007 is an Assessment year, the Plenary agreed a framework to carry out this exercise. This will be the fourth such Assessment of the WA, which will review its role and overall functioning.

The WA continues to place a high priority on transparency and outreach to non-Participating States and international organisations, with the aim of promoting robust export controls through the world. A number of the Outreach activities conducted in 2006 promoted the Wassenaar Elements on Export Controls of man-portable air defence systems (MANPADS). This was in view of concerns about the acquisition of MANPADS by unauthorised users. The next regular WA Plenary meeting will take place in Vienna in December 2007.

2.7 UN Conventional Arms Register

The UN Register of Conventional Arms is a voluntary global reporting instrument, intended to create greater transparency in international arms transfers and help identify excessive build-up of arms in particular countries or regions. The United Nations Register currently covers seven categories of conventional weapons, namely, battle tanks; armoured combat vehicles; large-calibre artillery systems; combat aircrafts; attack helicopters; warships (including submarines); and missiles and missile-launchers (including man-portable air defence systems). Thus far, a total of 170 Member States have reported to the Register one or more times.

The UK reports annually to the UN on all exports of military equipment in major categories and will again provide this information including additional voluntary background reporting of Small Arms and Light Weapons transfers. Whilst all reporting to the UN Register is voluntary, the UK continues to attach a high level of importance to regular and comprehensive reporting and actively encourages all UN member states to participate with similar levels of transparency.

The UK's annual return to the UN Register will be available from August 2007 via www.fco.gov.uk/internationalsecurity. Further information can be found at the UN website <http://disarmament2.un.org/cab/>.

2.8 Nuclear Suppliers Group

Since its foundation in 1975 the Nuclear Suppliers Group (NSG) has sought to reduce global nuclear proliferation by controlling the export and re-transfer of materials that may be applicable to nuclear weapon development, and promoting effective safeguards and protection of existing nuclear materials.

In 2006 the Nuclear Suppliers Group Plenary was held in Brasilia, Brazil on the 1st and 2nd of June. The 2007 Plenary was held in Cape Town, South Africa on the 19th and 20th of April. Throughout the year the 45 Participating Governments have been discussing how the group should treat non-member adherents, and; working actively to reach consensus on strict criteria for the transfers of Enrichment and Reprocessing technology and equipment, and adopting the Additional Protocol as a Condition of Supply for all Trigger-List items. The Group will be looking to assist in the effective implementation of the prohibition on transfers of certain nuclear technology to Iran, in UNSCR 1737, and to North Korea in UNSCR 1718. The NSG is constructively considering its relationship with India following the US/India joint statement of July 2005, and has noted India's increased non-proliferation commitments.

2.9 Global Partnership

At the 2002 Kananaskis Summit the G8 launched the Global Partnership against the spread of weapons and materials of mass destruction. The Partnership committed to raise up to \$10 billion over 10 years for projects aimed at preventing terrorists or those that harbour them, from acquiring or developing WMD and related materials and expertise, with the UK pledging up to \$750 million. A key priority of the Global Partnership is to prevent the spread of weapons and materials of mass destruction, primarily in Russia and the Former Soviet Union (FSU). The UK has pledged \$100m towards the disposition of Plutonium in Russia following a bilateral US-Russia agreement under which each will dispose of 34 tonnes of weapons –grade plutonium. The UK has a limited role in progressing Pu disposition in Russia, but will work with the US and other donors to assist both Russia and the US in maintaining the momentum towards achieving a solution to the technical, financial and other challenges that remain.

The UK would like to see a programme of Plutonium Disposition actively underway, which includes: concrete Russian commitment to, and investment, in its own programme; substantial international financial support, with appropriate transparency, non-proliferation, financial and procurement procedures; and a representative

international steering body overseeing the project. The liability protocol to the 2000 US-Russian Agreement was signed in September 2006 and represents a significant step forward for implementing such a programme in Russia.

Besides Plutonium Disposition, the UK is involved in a wide variety of other Global Partnership work, including in all four priority areas identified at Kananaskis: the destruction of chemical weapons; the dismantling of decommissioned nuclear submarines; the disposition of fissile materials; and the employment of former weapons scientists.

Under new governance arrangements, a senior official-level Oversight Board, chaired by the FCO, meets at least twice-a-year to monitor and review the Programme's overall performance, resolve major strategic issues, provide oversight of Government resources committed to WMD threat reduction work and oversee preparation and publication of an annual report. A Ministerial Oversight Board, chaired by an FCO Minister, also meets to provide political oversight and strategic direction to the Programme, to set work priorities and to ensure an appropriate public and Parliamentary profile for the Programme. This new structure encompasses all the UK's existing Global Partnership work, and provides a durable and flexible framework within which to address new proliferation challenges.

In 2006, key achievements included:

- Completion to time and to cost of a £21 million nuclear storage facility at Murmansk, Russia;
- Implementation of a portfolio of projects which should secure over 1,000 sustainable jobs for former weapons scientists;
- Completion to time and to cost of the dismantling of a third nuclear submarine, with some of the work carried out in partnership with Norway.
- Successful implementation of further infrastructure and equipment projects for a key Russian Chemical Weapons Destruction Facility at Schuch'ye, Russia.
- Conclusion by a Chatham House report that the UK contribution to the Global Partnership since 2002 had been "well-planned and organised, appropriately funded and efficient, and – above all – effective".

2.10 Australia Group

The Australia Group (AG) is an informal arrangement of 39 member countries, plus the European Commission, that aims to allow exporting or trans-shipping countries to minimise the risk of assisting Chemical and Biological Weapons proliferation.

The 2006 Plenary meeting was held on 12 – 15 June in Paris where a number of issues were discussed, including agreeing a number of measures for deepening the implementation and enforcement of national export control systems. The UK gave a number of presentations including one on niobium manufacturing equipment, which led to the AG agreeing to introduce controls. Members also acknowledged that there has been an increased acceptance of AG measures as the international benchmark for export control standards relating to dual-use chemical and biological materials and technologies, partially due to the outreach activities of the group.

2.11 Missile Technology Control Regime

The Missile Technology Control Regime (MTCR) Plenary meeting was held in Copenhagen from 2-6 October 2006, and considered in particular the North Korea and Iranian missile programmes. Since its establishment in 1987, the MTCR has made a significant contribution to international efforts on non-proliferation of missiles. However, Partners acknowledge that the risk of proliferation of WMD and their means of delivery remains a major threat. In response to the increasing sophistication of procurement attempts, Partners agreed measures at the Copenhagen Plenary to address the areas of transfers of intangible technology, and transit/transshipment, and continue to work towards strengthening brokering controls.

2.12 International Outreach

Outreach activities to promote effective export controls are an extremely important tool in the fight against proliferation. The UK works closely with the EU, US and others, in co-ordinating this work. Outreach can take several forms: bilateral work by the UK or multilateral efforts through institutions within the EU, the Wassenaar Arrangement and other export control regimes such as the MTCR. Teams of officials from various Government Departments conduct export control visits (outward) and host delegations from invited countries (inward), addressing practical and policy issues surrounding export licensing and enforcement. Activities typically include seminars and visits (both inward and outward) covering such topics as industry awareness, capacity building, customs procedures, and assistance with drafting legislation. Officials from all of the UK Government departments in the single Licensing Community are routinely involved in outreach work.

In the period since the last Annual Report outreach activities have been undertaken involving UK officials with:

- Albania
- Bulgaria
- China
- Croatia
- Montenegro
- Pakistan
- Serbia
- Ukraine

The Government has also undertaken an extensive awareness campaign around the country for UK industry on the controls.

SECTION 3

EXPORT LICENSING DECISIONS DURING 2006

3.1 Background to export licence decisions

In assessing applications for individual licences, on the basis of the information supplied by the exporter, officials in the Export Control Organisation (ECO) will determine whether or not the items are controlled and, if so, under which entry in the legislation; the relevant alphanumeric entry is known as the “rating” of the items. Items and activities subject to control for strategic reasons are as follows:

- exports of items entered in Part 1 (the UK military list) and Part 2 of Schedule 1, and Articles 8, 9 and 10 of the Export of Goods, Transfer of Technology and Provision of Technical Assistance (Control) Order 2003. The text is at Annex A.
- Trading activities specified in the Trade in Controlled Goods (Control) Order 2003 in relation to Military List items, with the exception of software and technology
- Trading activities specified in the The Trade in Controlled Goods (Embargoed Destinations) Order 2004 in relation to Military List, with the exception of software and technology
- The provision of technical assistance where the provider knows or has been made aware that the technical assistance will nbe used for a relevant use (already footnoted) outside the EU
- The transfer of technology by any means where the transferor knows or has been made aware that the technology will be used outside the EU for a relevant use.
- Exports of items entered in the Council Regulation (EC) 1334/2000 (the Dual Use Regulation) setting up a Community regime for the control of exports of dual-use items and technology (the regulation was adopted in June 2000). A brief summary of the dual-use list categories and sub-categories is at Annex B.
- items that exporter has been told, knows or suspects are or may be intended for any relevant WMD use¹. This is the “WMD end-use” or “catch-all” control and goods controlled for these reasons are given the rating “End-Use”.
- components or production equipment that the exporter has been told, knows or suspects are or may be intended for a military end-use² in a country subject to certain types of arms embargo, or for use as parts or components of military list items which

¹ "any relevant use" means use in connection with the development, production, handling, operation, maintenance, storage, detection, identification or dissemination of chemical, biological or nuclear weapons or other nuclear explosive devices, or the development, production, maintenance or storage of missiles capable of delivering such weapons

² i.e. a: incorporation into military items listed in the military list;

b: use of production, test or analytical equipment and components therefore, for the development, production or maintenance of military list items; or

c: use of any unfinished products in a plant for the production of military list items.

have been exported in breach of United Kingdom export controls. This is the “Military End-Use” control.

Where an item or activity is controlled, the exporter or trader must apply to the ECO for a licence. All applications are assessed against the Consolidated Criteria as explained at X above.

Notes on Refusals Data

A simple comparison of the numbers of licences issued or refused in this period compared to that reported in previous Annual Reports is not necessarily an indicator of changes in Government policy between the periods concerned. Companies are unlikely to apply for licences that they can judge for themselves, are likely to be refused when assessed against the published criteria. They are now better able to judge that likelihood as we publish refusal statistics by destination. More generally, the number and nature of the applications received in total or in relation to particular destinations can vary widely from one period to the next, and there can be many reasons for such variation.

GENERAL NOTE ON LICENSING DATA

The information contained in this Report may be treated as definitive subject to the constraint that there is always some risk of human error in the compilation of such a large body of data

3.2 STANDARD INDIVIDUAL EXPORT LICENCES, OPEN INDIVIDUAL EXPORT LICENCES, STANDARD INDIVIDUAL TRADE CONTROL LICENCES AND OPEN INDIVIDUAL TRADE CONTROL LICENCES

The enclosed CD holds licensing data by destination for 2006, including information about the SIELs, OIELs, SITCLs, and OITCLs, granted, refused and revoked during 2006.

This section of the Report gives information on the various types of licences as well as information on appeals against licensing decisions during this period.

SIELs generally allow shipments of specified items to a specified consignee up to the quantity or value specified by the licence. Such licences are generally valid for two years where the export will be permanent. Where the export is temporary, for example for the purposes of demonstration, trial or evaluation, the licence is generally valid for one year only and the items must be returned before the licence expires. A licence is not required for the majority of transshipments through the UK en route from one country to another, providing certain conditions are met. Most other transshipments can be made under one of the Open General Transshipment Licences (OGTL) in force, provided in all cases that the relevant conditions are met. Where this is not the case, a Standard Individual Transshipment Licence (SITL) is required (there are no Open Individual Transshipment Licences).

The information on SIELs included in this section of the Report has been compiled using the Export Control Organisation’s computer databases. The databases were

interrogated during the compilation of the report to identify the status of all applications on which a decision was taken during the period covered by the Report. In a small number of cases, there may be a subsequent change of status. There are two main reasons for such changes: a licence issued during the period may have been revoked, for example because of the imposition of trade sanctions or an arms embargo; or a decision during the period to refuse a licence might be overturned because the applicant later appealed successfully.

During the period 9908 SIEL applications were processed: 7651 SIELs were issued, 11 were revoked and 121 were refused. In addition, 11 SITLs were issued, none were revoked and 1 was refused. A further 1070 applications were rated as no licence required (NLR).

A Standard Individual Trade Control Export Licence (SITCL) is specific to a named trader and covers involvement in the trading of a set quantity of specific goods between a specified overseas source and overseas destination country with a specified consignor, consignee and end-user. SITCLs will normally be valid for two years. Upon expiry, either by time or because the activity has taken place, the licence ceases to be valid and must be returned to the Export Control Organisation. Should further similar activity need to take place, a further licence must be applied for. Trade Controls only apply to goods on the "UK Military List" (Schedule 1, Part 1 of the Export of Goods, Transfer of Technology and Provision of Technical Assistance (Control) Order 2003) and do not apply to software and technology. During this period 74 SITCLs were issued, none were revoked and 8 were refused. A further 6 applications were rated as no trade licence required (NCLR).

OIELs are concessionary licences that are specific to an individual exporter and cover multiple shipments of specified items to specified destinations and/or, in some cases, specified consignees. OIELs are generally valid for a period of five years, with the exception of Dealer to Dealer OIELs which are valid for three years. There are no Open Individual Transshipment Licences. During the reporting period 417 OIELs were issued. In addition, 9 applications for OIELs were refused in full and none were revoked. It should be noted that the refusal of an application for an OIEL, amendment to exclude particular destinations and/or items or the revocation of an OIEL does not prevent a company from applying for SIELs covering some or all of the items concerned to specified consignees in the relevant destinations. Clearly, however, the factors that led to the original decision would be taken into account in the decision on any such application.

An Open Individual Trade Control Export Licence (OITCL) is specific to a named trader and covers involvement in the trading of specific goods between specified overseas sources and overseas destination countries and/or specified consignor(s), consignee(s) and end-user(s). OITCLs are generally valid for two years. Trade Controls only apply to goods on the "UK Military List" Schedule 1, of the Export of Goods, Transfer of Technology and Provision of Technical Assistance (Control) Order 2003) and do not apply to software and technology. During the reporting period 33 OITCLs were issued. In addition, 5 applications for OITCLs were refused in full, none were revoked and a further 1 was rated as no trade licence required. It should be noted that the refusal of an application for an OITCL, amendment to exclude particular destinations and/or items or the revocation of an OITCL does not prevent a

company from applying for SITCLs covering some or all of the items concerned to specified consignees in the relevant destinations. Clearly, however, the factors that led to the original decision would be taken into account in the decision on any such application.

In addition, information is also provided in Annex I on the number of items of equipment in the UN Register of Conventional Arms categories covered by SIELs issued during the period, provided that the contract has come into force.

3.3 INFORMATION ON SIELS, SITLS, OIELS, SITCLs AND OITCLs

The entry for each destination in the CD contains the following information:

EU Torture Regulation: New Entry

In this report, a new heading has been inserted, where appropriate, to cover those licences that were issued, refused or revoked under Council Regulation 1236/2005 (concerning trade in certain equipment and products which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment). This information, where appropriate, appears under the destination heading.

For SIELs:

- Total value of all applications in respect of which a SIEL was issued for the export of items to the destination concerned during the period, whether the export concerned was permanent or temporary. The total value will either be rounded up to the nearest £500,000 or stated as being less than £250,000. It should be noted that the value of exports that are actually made under the licences concerned is likely to be less than shown because some of these licences will not be used to make all of the exports authorized and others will not be used at all. In addition, some items are exported only temporarily and later returned to the UK.

- The number of licences issued, refused or revoked, split into Military List, other items and both (covering licences with military and other goods) categories. A (T) at the end of a line indicates Temporary export licenses.

For Incorporation:

Information on goods licensed under SIEL for incorporation and onward export from the destination country is provided in the same format as all other SIELs, and includes the same level of information.

For SITLs:

Information on SITLs is provided in the same format as for SIELs. The items covered by SITLs issued only pass through the UK and it would therefore be misleading to include a 'value' for these licences in the report.

For OIELs:

- The number of licences issued, refused or revoked. A (T) at the end of a line indicates Temporary export licenses.

- As OIELs cover multiple shipments of specified goods to specified destinations or specified consignees, exporters holding OIELs are not asked to provide details of the value of goods they propose to ship and it is therefore not possible to provide information on the total value of goods licensed under OIELs issued.

For SITCLs

- A summary of the items or activities authorised by the licence are given.
- As SITCLs cover the trading of specific goods between specified overseas sources and overseas destination countries, there is no physical export from the UK and traders are not asked to provide information on values.

For OITCLs

- A summary of the items or activities authorised by the licence are given.
- As OITCLs cover the trading of specific goods between specified overseas sources and overseas destination countries, exporters holding OITCLs are not asked to provide details of the value of goods they propose to ship and it is therefore not possible to provide information on the total value of goods licensed.

Special OIELs

There are three special categories of OIELs:

Media OIELs

Media OIELs authorise the export of protective clothing and equipment, mainly for the protection of aid agency workers and journalists, in areas of conflict. In addition to military helmets and body armour, the licence includes NBC protective items, non-military 4WD civilian vehicles with ballistic protection and specially designed components for any of these goods. The licence permits these goods to be exported to all destinations on a temporary basis only, i.e. the goods must be returned to the United Kingdom when no longer required. During this reporting period, 4 Media OIELs were issued.

Continental Shelf OIELs

Continental Shelf OIELs authorise the export of controlled goods to the UK sector of the Continental Shelf for the use only on, or in connection with, offshore installation and associated vessels. During the period of this report, none were issued.

Global Project Licences

Global Project Licences (GPLs) were introduced by Framework Agreement (FA) partners, including the UK, to streamline the arrangements for licensing military goods and technologies between FA Partners (UK, France, Italy, Sweden, Spain and

Germany) where these transfers relate to their participation in specific collaborative defence projects. In relation to the collaborative project, each Partner State will, as appropriate, issue their own GPLs to permit transfers of specified goods and technology where these are required for that programme. The GPLs will operate on a similar basis to UK Open Individual Export Licences, and applications for GPLs will be assessed against the Consolidated Criteria in the UK, and against the EU Code of Conduct in other Framework Partner countries. None were issued in 2006.

3.4 Transfer of Technology and Technical Assistance Licences

These licences are issued for the transfer of technology and provision of technical assistance under Articles 8, 9 and 10 of the Export of Goods, Transfer of Technology and Provision of Technical Assistance (Control) Order 2002. During this reporting period, 3 OIELs were issued, none were refused or revoked, and one was rated as no licence required. No SIELs were issued, refused or revoked but 1 was rated as no licence required.

3.5 REFUSALS AND REVOCATIONS

There were 121 such decisions on SIELs and SITLs in 2006. Information on the reason for refusal of SIELs, SITLs or SITCLs, if any, to a particular destination is now listed in the main body of the report, and is set out in the same way as the refusal data. These refusals are broadly in line with the criteria used in the consideration of arms exports; the Consolidated EU and National Arms Export Licensing Criteria (attached at Annex E). The reasons have also been used to encompass reasons for revocation/ refusal of dual use goods. In a number of cases, the refusals/revocations were made for more than one reason and this accounts for the higher number. Some licences were refused principally because of the application of national controls or policy commitments (See Annex D).

The information above does not include reasons for decisions to refuse OIELs or OITCLs in full or in part, to amend the coverage of an OIEL to exclude particular destinations and/or goods or to revoke an OIEL. OIELs and OITCLs are concessionary licences and a decision to exclude a particular destination does not preclude a company from applying for SIELs or SITCLs covering some or all of the goods concerned to specified consignees in the relevant destinations.

3.6 APPEALS

This section provides information on all appeals against a decision to refuse an application for a SIEL or SITCL, or against a decision to revoke a SIEL or SITCL, where the decision on the appeal was taken in the relevant period. The Government has a target of processing 60% of appeals within 20 working days from receipt of all relevant information from the appellant and 95% in 60 working days.

There is no provision in the licensing procedure for a formal appeal against refusal or revocation decisions on OIELs or OITCLs. This is because such decisions do not prevent a company from applying for SIELs or SITCLs. Decisions to refuse licences are not taken lightly, and only in those cases where refusal is clearly justified is a final decision taken to refuse. In this context, appeals against refusals will often raise

difficult and complex issues. Appeals are considered at an independent and more senior level than the original licence application. Every effort is made to deal with all appeals as expeditiously as possible; however, the time taken can be lengthy due to the need to examine afresh all relevant information.

In total, there were 45 appeals heard in 2006 against the original decision to refuse an application for a SIEL and 2 against the decision to refuse a SITCL. There were no appeals against refusal or revocation of a SITCL, nor were there any appeals against the revocation of SIELs. The appeals against the original decisions on 29 applications were refused; the appeals against the original decisions on 16 applications were upheld and licences were issued. A further 1 appeal was withdrawn by the exporter. 1 Appeal was also partially refused.

3.7 OPEN GENERAL LICENCES

Open General Licences (OGLs) allow the export or trade of specified controlled goods by any company, removing the need for exporters to apply for an individual licence, provided the shipment and destinations are eligible and the conditions are met. Most OGLs require the exporter or trader to register with the Export Control Organisation in advance before they make use of most OGELs, and the companies are subject to compliance visits from the ECO to ensure that all the conditions are being met. There are also a small number of Open General Transshipment Licences (OGTLs) for which registration is not required. All OGELs remain in force until they are revoked. A complete list of OGELs is at Table 3.1.

Note: Council Regulation (EC) No.1334/2000 on the export of dual- use items and technology entered into force on 28 September 2000. Annex II of the Regulation introduced a new Community General Export Authorisation (CGEA). The Regulation was subsequently amended by Council Regulation (EC) No. 394/2006, (the “Amending Regulation”) which entered into force on 12th April 2006. The Amending Regulation made changes to Annex I, II and IV of the Regulation that automatically changed the scope of the CGEA. (The CGEA is the Community equivalent of an UK OGEL and is directly applicable in all EU Member States. This allows the export of a range of Dual Use goods controlled under EC Reg 1334/2000 to those countries listed in the CGEA).

TABLE 3.1: LIST OF OPEN GENERAL EXPORT LICENCES

Name	Made	Into Force	Revoked
1. Military Goods: Government or NATO End-Use	24.01.05	31.01.05	
2. Military Components	24.01.05 03.05.06 28.07.06	31.01.05 12.05.06 30.07.06	12.05.06 30.07.06
3. Technology for Military Goods	28.09.05 28.07.06 28.09.06	03.10.05 30.07.06 02.10.06	30.07.06 02.10.06
4. Export After Repair/replacement under warranty: Military Goods	28.09.05 03.05.05	03.10.05 12.05.06	12.05.06 30.07.06

		28.07.06 29.09.06	30.07.06 02.10.06	02.10.06
5.	Export After Exhibition: Military Goods	14.12.05 28.07.06 29.09.06	16.12.05 30.07.06 02.10.06	30.07.06 02.10.06
6.	Export for Exhibition: Military Goods	01.05.04 03.05.06 28.07.06 29.09.06	01.05.04 12.05.06 30.07.06 02.10.06	12.05.06 30.07.06 02.10.06
7.	Military Surplus Vehicles	28.09.05 03.05.06 29.09.06	03.10.05 12.05.06 02.10.06	12.05.06 02.10.06
8.	Export For Repair/Replacement Under Warranty: Military Goods	01.12.05 28.07.06 29.09.06	02.12.05 30.07.06 02.10.06	30.07.06 02.10.06
9.	Historic Military Goods:	01.12.05 03.05.06 28.07.06 29.09.06	02.12.05 12.05.06 30.07.06 02.10.06	12.05.06 30.07.06 02.10.06
10.	Vintage Aircraft	01.05.04	01.05.04	
11.	Accompanied Personal Effects: Sporting Firearms	01.05.04	01.05.04	
12.	Military Goods: For Demonstration to Governments	01.12.05	02.12.05	
13.	Exports in support of UK Government Defence contracts	14.12.05 28.07.06	16.12.05 30.07.06	30.07.06
14.	Access overseas to Technology for Military Goods: Individual Use Only	01.12.05 28.07.06 29.09.06	02.12.05 30.07.06 02.10.06	30.07.06 2.10.06
15.	Military Goods: UK Forces Deployed in non-embargoed destinations	01.12.05 28.07.06 29.09.06	02.12.05 30.07.06 02.10.06	30.07.06 02.10.06
16.	Military Goods: UK Forces Deployed in embargoed destinations	18.10.04 28.07.06	20.10.04 30.07.06	30.07.06
17.	Turkey	01.05.04	01.05.04	
18.	Computers	01.05.04	01.05.04	
19.	Technology for Dual-Use Items	01.05.04	01.05.04	
20.	Export After Repair/replacement under warranty: Dual-Use Items	01.05.04	01.05.04	
21.	Export After Exhibition: Dual-Use Items	01.05.04	01.05.04	
22.	Low Value Shipments	01.05.04	01.05.04	

23.	X (covering specified dual-use items)	01.05.04	01.05.04	
24.	Chemicals	01.05.04	01.05.04	
25.	Export For Repair/Replacement under Warranty: Dual-Use Items	01.05.04	01.05.04	
26.	Cryptographic Development	01.05.04	01.05.04	
27.	Dual-Use Items: Hong Kong Special Administrative Region (HKSAR)	07.03.05	11.03.05	
28.	Oil and Gas Exploration: Dual-Use Items	28.09.05	30.09.05	
29.	OGTL (Dual-Use Goods: HKSAR)	01.05.04	01.05.04	
30.	Open General Transhipment Licence	28.09.05 28.07.06 29.09.06	03.10.05 30.07.06 02.10.06	30.07.06 02.10.06
31.	Open General Transhipment Licence (Sporting Guns)	28.09.05 28.07.06 29.09.06	03.10.05 30.07.06 02.10.06	30.07.06 02.10.06
32.	Open General Transhipment Licence (Postal Packets)	01.05.04	01.05.04	
33.	Open General Trade Control Licence	01.12.05 28.07.06 29.09.06	02.12.05 30.07.06 02.10.06	30.07.06 02.10.06

3.8 PERFORMANCE IN PROCESSING LICENCE APPLICATIONS

The Export Control Organisation sets out the government's commitments to exporters in a Service and Performance Code. The performance target is to provide a response on 70% of applications for SIELs within 20 working days, and 95% within 60 working days. During the period, 73% of all SIEL applications that were circulated to other Government Departments were processed within 20 working days, and 97% within 60 working days. The targets apply as soon as the applicant has supplied full documentation necessary to support their application.

The performance target for SITCLs is to provide a response within 20 working days, and 67% of all SITCL applications were dealt with within this target.

The targets do not apply to applications for OIELs because of the very wide variation in the goods and destination coverage of such licences. They also do not apply to OITCLs because of the wide variation in goods or activities, sources and destinations covered by such licences. They also do not apply to applications for licences to export goods that are subject to control solely because of United Nations Sanctions.

Rating requests

The Export Control Organisation also responds to requests from exporters for advice on whether or not a licence is required to export particular goods of which the exporter has provided full technical details. During the period 4036 such requests were dealt with and 96% of these were dealt with within the Government combined target. The combined target is made up of those cases that were completed within 10 (non-circulated) and 20 (circulated) days.

Licensing performance

Table 3.2 gives a breakdown of the performance in the period of Government against the two main published SIELs targets (70% in 20 working days and 95% in 60 working days).

Appeals performance

The Government has a target of processing 60% of appeals within 20 working days from receipt of all relevant information from the appellant and 95% in 60 working days. These targets do not apply to appeals concerning goods that are controlled solely because of UN Sanctions. Of the 46 appeals decided in 2006, none fell into this category (there were no appeals on SITCLs). Exporters withdrew a further 1 of the remaining appeals. Of the remaining 45 appeals heard in 2006, 65% achieved the 30 working day target. DTI has been working with other Government Departments on adjustments to the appeals procedure, and as a consequence there has been an improvement in performance against the appeals target. 58% of appeals were processed within 20 working days (against the unpublished target of 60%) and 83% processed within 60 working days (against an unpublished target of 95%).

Table 3.2: Performance of HM Government

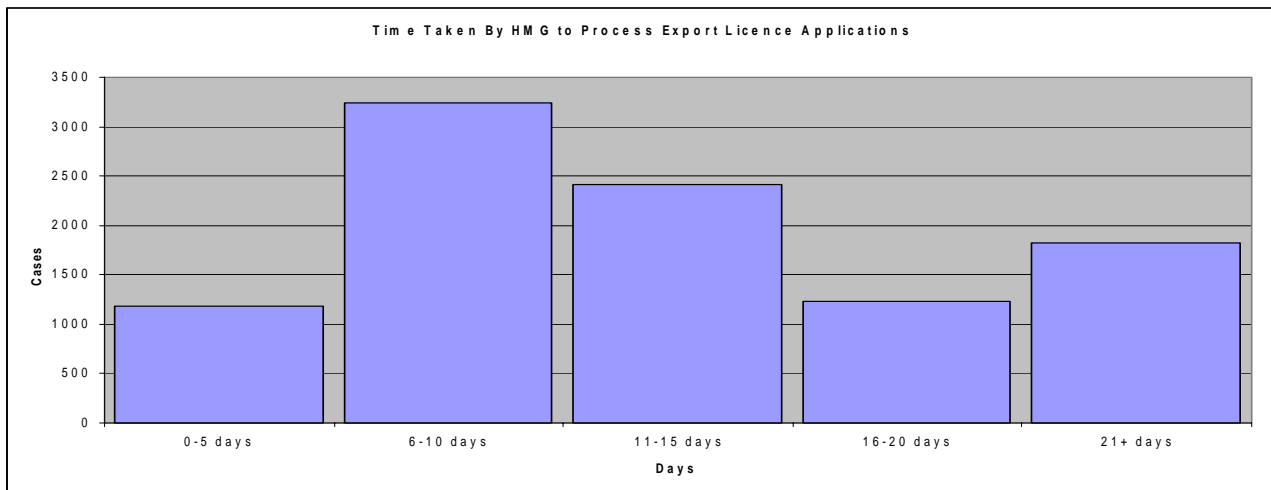


Table 3.3: OIELs and SIEL's issued in 2006.

Country	No of SIELS	No of OIELS		
Afghanistan	27	6	Central African Republic	0 2
Albania	1	6	Chad	1 3
Algeria	25	20	Channel Islands	71 12
Andorra	1	2	Chile	36 30
Angola	22	18	China	284 25
Anguilla	1	0	Colombia	13 14
Argentina	49	18	Comoros	0 1
Armenia	1	2	Congo (DRC)	6 3
Aruba	1	0	Costa Rica	3 3
Australia	129	83	Croatia	6 14
Austria	15	46	Cuba	0 3
Azerbaijan	9	8	Cyprus	38 11
Azores	0	1	Czech Republic	68 36
Bahamas	2	2	Denmark	33 68
Bahrain	24	38	Djibouti	0 1
Bangladesh	16	11	Dominican Republic	1 1
Barbados	14	5	Ecuador	6 16
belarus	1	3	Egypt	73 51
Belgium	38	69	El Salvador	0 1
Belize	1	5	Equatorial Guinea	3 5
Benin	0	3	Eritrea	1 3
Bermuda	9	2	Estonia	9 16
Bolivia	0	9	Ethiopia	18 1
Bosnia-Herzegovina	5	3	Falkland Islands	26 8
Botswana	8	19	Faroe Islands	1 5
Brazil	98	58	Fiji	3 0
British Antarctic Territory	0	1	Finland	36 56
British Virgin Islands	1	0	France	196 104
Brunei	37	29	French Overseas Territories	1 1
Bulgaria	32	29	Gabon	1 12
Burkina Faso	0	2	Gambia	2 3
Burma	0	2	Georgia	3 7
Burundi	2	2	Germany	218 95
Cambodia	2	3	Ghana	11 13
Cameroon	1	4	Gibraltar	5 9
Canada	104	86	Greece	17 51
Canary Islands	0	1	Greenland	0 4
Cape Verde	0	1	Guam	0 0
Cayman Islands	2	0	Guatemala	1 3

Guinea	0	3
Guinea-Bissau	0	1
Guyana	6	2
Haiti	2	2
Honduras	0	4
Hong Kong (Special Administrative Region)	53	27
Hungary	7	27
Iceland	11	30
India	629	65
Indonesia	72	15
Iran	53	6
Iraq	67	8
Ireland	124	48
Isle of Man	0	0
Israel	112	17
Italy	132	91
Ivory Coast	1	11
Jamaica	6	3
Japan	74	63
Jordan	82	29
Kazakhstan	9	13
Kenya	47	26
Korea, South	239	55
Kuwait	79	59
Kyrgyzstan	0	1
Laos	1	3
Latvia	17	15
Lebanon	10	17
Lesotho	1	3
Liberia	2	2
Libya	13	4
Liechtenstein	0	12
Lithuania	12	18
Luxembourg	4	41
Macao (SAR)	5	4
Macedonia (FYRo)	1	15
Madagascar	1	3
Malawi	6	12
Malaysia	119	63
Maldives	0	2
Mali	0	2
Malta	9	14
Mauritania	3	2
Mauritius	5	11

Mexico	21	29
Moldova	0	4
Monaco	3	13
Mongolia	0	2
Montenegro	0	1
Morocco	11	22
Mozambique	2	10
Namibia	3	4
Nepal	2	2
Netherlands	93	80
Netherlands Antilles	2	0
New Zealand	81	59
Nicaragua	0	2
Niger	0	4
Nigeria	40	22
Norway	55	79
Oman	69	79
Pakistan	149	25
Panama	3	2
Papua New Guinea	0	4
Paraguay	0	8
Peru	7	0
Philippines	11 or zero	14
Poland	46	43
Portugal	24	56
Puerto Rico	1	3
Qatar	55	46
Republic of Congo	4	3
Romania	48	39
Russia	104	26
Rwanda	1	0
Samoa	0	1
San Marino	0	1
Sao Tomoe and Principe	0	1
Saudi Arabia	95	56
Senegal	1	3
Serbia	10	1
Serbia and Montenegro	5	6
Seychelles	0	1
Sierra Leone	0	3
Singapore	137	68
Slovakia	11	17
Slovenia	11	23

Soloman Islands	0	1
Somalia	2	0
South Africa	235	79
Spain	56	77
Sri Lanka	22	9
St Helena	2	0
Sudan	26	2
Surinam	1	1
Swaziland	2	1
Sweden	100	83
Switzerland	117	46
Syria	5	11
Taiwan	130	17
Tajikistan	1	3
Tanzania	11	5
Thailand	73	37
Togo	0	4
Trinidad and Tobago	15	7

Tunisia	13	25
Turkey	121	59
Turkmenistan	1	2
Uganda	8	0
Ukraine	32	17
United Arab Emirates	151	78
United Kingdom	n/a	n/a
United States of America	617	129
Uruguay	13	12
Uzbekistan	3	3
Venezuela	9	17
Vietnam	9	14
Yemen	9	13
Zambia	6	8
Zimbabwe	0	1

SECTION 4

Statistics on Exports of Military Equipment During 2006

4.1 Introduction

This section of the Report provides an overview of the physical export of defence equipment from the United Kingdom in 2006. The information on physical exports relates to deliveries of equipment in the period 1 January to 31 December 2006 and has been obtained from two sources: HM Customs and Excise data (Tables 4.3 and 4.4) and information on Government to Government exports (Table 4.2).

"Further investigation of the company level data contained within the HMRC dataset revealed a large element of the reported increase in 2006 (recorded against one of the newly amalgamated dual use codes) as being probably civil in nature. This issue arose, as HMRC are no longer able to distinguish between civil and military aircraft trade, due to changes in the European commodity classification system used by all Member States. Extensive investigations took place to determine the nature of this increase. These included the validation of identified deliveries data with defence export orders data surveyed by MoD and reviewing the content of the HMRC data capture system to seek additional information on the nature of the export deliveries. As a result of the investigations, the 2006 figure has been revised downwards accordingly. "

Information on small arms destroyed by the Ministry of Defence in 2006 in conformity with the UN programme of Action on Small Arms and Light Weapons is shown at Table 4.1. Policy on the disposal of small arms declared surplus by the Ministry of Defence is to restrict transfers to those which meet the legitimate defence and security needs of overseas Governments. In the absence of approved transfers in line with this policy, surplus small arms are routinely destroyed.

4.2 HM Revenue & Customs

The HM Revenue & Customs (HMRC) system for collecting and calculating UK trade data provides information on the value of military goods, and the numbers of certain weapons (generally small arms and light weapons), which have been identified as being exported from the UK during the reporting period. Information on exports to European Union (EU) countries is collected by HMRC through the Intrastat system and, for trade outside the EU, from customs declarations submitted by exporters. In both cases the identification of specific exports is based on the European Community's classification of goods codes (the Combined Nomenclature), which do not match the classification of goods subject to strategic export controls. As a result, the information in Tables 4.3 and 4.4 provides an indicator of the level of trade with individual countries identified under EC Codes rather than a record of all exports of controlled goods during the period.

4.3 Government-to-Government transfers of equipment

Equipment sold Government-to-Government is listed at Table 4.2. Where the transfer of ownership of surplus goods sold to overseas governments takes place in the UK, the purchasing government is required to obtain a UK export licence before collection, and those licences will appear in Section 3. Disposal sales are also made through UK contractors who, where they sell and undertake the export to overseas customers, are required to apply for export licences in the normal way. Where transfer of ownership to an overseas customer takes place in the UK, the buyer is required to apply for an export licence. Licences for the export of those goods are included in Section 3. The Disposals Services Agency of the Ministry of Defence also enters into Government supply agreements covering the sale of surplus defence equipment. Items of surplus equipment sold Government to Government during 2006 are listed in Table 4.2.

There are a small number of Government-to-Government supply agreements and goods supplied under these arrangements are exported under licence. The UK's main Government-to-Government supply agreement is the Saudi Armed Forces Project. This has provided for the supply of Tornado, Hawk and PC9 aircraft and Mine Countermeasure Vessels with their associated weapons, in-service support and facilities. During 2006, the project predominantly provided ongoing support for equipment already in service.

There is also a Government-to-Government supply agreement in place with Kuwait. This currently includes the supply of spares, refurbishment of Hawk engines and support to the Starburst Missile System.

Government-to-Government transfers also include items given as gifts. As the Export Control Act 2002 does not bind the Crown, a licence is not generally required for Government-to-Government transfers by gifting. Items gifted in financial year 05/06 funded by the Conflict Prevention Pool are listed in Table 4.5.

Table 4.1: Small Arms destroyed by MOD between 1 January and 31 December 2006

Gun type	Number
Carbine	1
Injector	41
Launcher	3
Light anti-armour weapon	691
Machine gun	978
Mortar	16
Pistol	4749
Rifle	3269
Riot gun	15
Shotgun	9
Submachine gun	27
TOTAL	9799

Table 4.2: Government to Government transfers of equipment between 1 January and 31 December 2006

Country	Type of Equipment	Quantity*
Australia	Naval spares	-
Bangladesh	Naval spares	-
Belgium	Spares for military helicopters	-
Brazil	Naval spares	-
Chile	Type 23 Frigate	1
	Naval spares	-
Denmark	Spares for military helicopters	-
Germany	Helicopter spares	-
Jordan	Tracked cranes	6
	Spares and support equipment for cranes	-
Kuwait	Spares for aircraft engines; components for military aircraft; components for missile systems	-
Netherlands	Naval spares	-
	Spares for military helicopters	-
New Zealand	Naval spares	-
Norway	Naval spares	-
Saudi Arabia	Components and spares for aircraft and their systems; components for naval vessels and their systems; components for munitions	-

Table 4.3: Statistics on exports of weapons and small arms in 2006.

Country	Number of items
AFGHANISTAN	11,836
ARUBA	38
AUSTRALIA	32
BAHRAIN	8
BARBADOS	193
BRAZIL	730
CANADA	75
CAYMAN ISLANDS	12
CHILE	1
DENMARK	5
FALKLAND ISLANDS	2
FINLAND	0
FRANCE	0

GERMANY	6
GIBRALTAR	5
HAITI	23
INDIA	408
IRAQ	151
IRISH REPUBLIC	21
ISRAEL	2
JAMAICA	27
JAPAN	90
JORDAN	59
KENYA	14
KOSOVO	4
KUWAIT	285
LESOTHO	40
MALAYSIA	39
NETHERLANDS	0
NEW ZEALAND	151
NORWAY	14,905
OMAN	1,444
PAKISTAN	26
QATAR	488
ROMANIA	3
SAN MARINO	26
SAUDI ARABIA	25
SINGAPORE	85
SLOVAKIA	0
SOUTH AFRICA	17
SOUTH KOREA	85
SPAIN	0
SRI LANKA	50
SWEDEN	0
SWITZERLAND	92
TURKEY	627
UAE	383
URUGUAY	42
USA	346
ZAMBIA	149
Total:	33,050

Table 4.4: Value of exports of military equipment from 1 January 2006 to 31 December 2006

Country of destination	Stat.Value (£)	Stat.Value (£m)
AFGHANISTAN	813,982	0.81
ALGERIA	7,117	0.01
ANGOLA	352,910	0.35
ANTIGUA:BARBUDA	231,380	0.23
ARGENTINA	43,613	0.04
ARUBA	13,623	0.01
AUSTRALIA	27,187,717	27.19
AUSTRIA	11,092,287	11.09
BAHAMAS	537,484	0.54
BAHRAIN	93,895,612	93.90
BANGLADESH	211,816	0.21
BARBADOS	30,323	0.03
BELGIUM	6,359,342	6.36
BELIZE	3,768	0.00
BERMUDA	96,295	0.10
BHUTAN	2,361	0.00
BOSNIA & HERZ.	658	0.00
BOTSWANA	28,326	0.03
BRAZIL	6,425,193	6.43
BRUNEI	1,608,152	1.61
BULGARIA	78,521	0.08
CAMBODIA	16,645	0.02
CANADA	101,897,921	101.90
CAPE VERDE	28,685	0.03
CAYMAN ISLANDS	36,394	0.04
CHILE	5,754	0.01
CHINA	9,099,063	9.10
COLOMBIA	12,053	0.01
CUBA	2,000	0.00
CURACAO	1,125,171	1.13
CYPRUS	539,706	0.54
CZECH REPUBLIC	512,086	0.51
DENMARK	67,160,181	67.16
DJIBOUTI	141,025	0.14
EGYPT	8,413,219	8.41
ESTONIA	60,024	0.06
ETHIOPIA	236,471	0.24
FALKLAND ISLANDS	7,917	0.01
FAROE ISLANDS	55,596	0.06
FIJI	682	0.00
FINLAND	13,645,075	13.65
FRANCE	143,951,610	143.95

FRENCH POLYNESIA	160,546	0.16
GABON	4,545	0.00
GERMANY	115,088,000	115.09
GHANA	24,800	0.02
GIBRALTAR	4,428	0.00
GREECE	6,133,320	6.13
GREENLAND	374,108	0.37
GUAM	27,179	0.03
HAITI	76,185	0.08
HONG KONG	8,329,035	8.33
HUNGARY	6,552,033	6.55
ICELAND	1,547,413	1.55
INDIA	91,551,731	91.55
INDONESIA	6,823,952	6.82
IRAQ	883,974	0.88
IRISH REPUBLIC	12,290,555	12.29
ISRAEL	3,572,788	3.57
ITALY	88,194,912	88.19
JAMAICA	58,366	0.06
JAPAN	69,721,394	69.72
JORDAN	2,217,632	2.22
KAZAKHSTAN	178,651	0.18
KENYA	10,912,685	10.91
KOSOVO	9,388	0.01
KUWAIT	5,389,684	5.39
KYRGYZ REPUBLIC	836,985	0.84
LATVIA	29,873	0.03
LEBANON	504,314	0.50
LESOTHO	22,878	0.02
LIBERIA	26,939	0.03
LIBYA	11,378	0.01
LITHUANIA	6,744	0.01
LUXEMBOURG	7,408,659	7.41
MACAO	421,002	0.42
MALAWI	22,000	0.02
MALAYSIA	25,853,650	25.85
MALDIVES	8,005	0.01
MALTA	11,863,976	11.86
MARSHALL ISLANDS	94,133	0.09
MAURITANIA	1,194	0.00
MAURITIUS	15,829	0.02
MEXICO	478,202	0.48
MOLDOVA	11,239	0.01
MONGOLIA	196,942	0.20

MOROCCO	107,259	0.11
MOZAMBIQUE	11,500	0.01
NEPAL	81,708	0.08
NETHERLANDS	11,744,401	11.74
NEW ZEALAND	6,436,729	6.44
NIGERIA	270,447	0.27
NORWAY	37,284,762	37.28
OMAN	20,590,693	20.59
PAKISTAN	27,576,231	27.58
PAPUA NEW GUINEA	1,163	0.00
PHILIPPINES	343,148	0.34
POLAND	2,615,251	2.62
PORTUGAL	9,009,707	9.01
PUERTO RICO	151,072	0.15
QATAR	2,370,875	2.37
ROMANIA	1,366,890	1.37
RUSSIA	214,777	0.21
SAN MARINO	2,623	0.00
SAUDI ARABIA	44,807,215	44.81
SENEGAL	223,414	0.22
SERBIA	17,642	0.02
SEYCHELLES	16,781	0.02
SINGAPORE	68,219,867	68.22
SLOVAKIA	217,378	0.22
SLOVENIA	122,930	0.12
SOUTH AFRICA	10,924,514	10.92
SOUTH KOREA	17,099,805	17.10
SPAIN	41,908,634	41.91
SRI LANKA	816,638	0.82
SWAZILAND	1,640	0.00
SWEDEN	24,444,387	24.44
SWITZERLAND	79,717,038	79.72
SYRIA	91,616	0.09
TAIWAN	1,366,785	1.37
THAILAND	8,126,257	8.13
TOGO	1,956	0.00
TOKELAU ISLANDS	18,001	0.02
TONGA	3,870	0.00
TRINIDAD:TOBAGO	34,575	0.03
TUNISIA	343,335	0.34
TURKEY	35,221,503	35.22
TURKMENISTAN	44,482	0.04
UAE	19,405,432	19.41
UGANDA	27,083	0.03

UKRAINE	149,352	0.15
URUGUAY	105,255	0.11
USA	610,772,188	610.77
VENEZUELA	182,905	0.18
VIETNAM	22,505	0.02
YEMEN	126,825	0.13
ZAMBIA	25,498	0.03
	2,058,695,546	2,059
<i>^P provisional and subject to update</i>		
<i>Source: HM Revenue & Customs, Overseas Trade Statistics</i>		

Note: Changes to the internationally agreed codes used for recording goods exports (see Annex C) may have contributed to the apparent increase in the figures from 2005 and 2006. Further amalgamation of military and civil codes has resulted in a discontinuity in the code set used to compile these data which is being Investigated. It is not clear how far the increase reported reflects a true Increase in the value of military goods exported as opposed to the inclusion of civil goods previously excluded.

Further investigation of the company level data contained within the HMRC dataset revealed a large element of the reported increase in 2006 (recorded against one of the newly amalgamated dual use codes) as being probably civil in nature. This issue arose, as HMRC are no longer able to distinguish between civil and military aircraft trade, due to changes in the European commodity classification system used by all Member States. Extensive investigations took place to determine the nature of this increase. These included the validation of identified deliveries data with defence export orders data surveyed by MoD and reviewing the content of the HMRC data capture system to seek additional information on the nature of the export deliveries. As a result of the investigations, the 2006 figure has been revised downwards accordingly.

Table 4.5

THE CONFLICT PREVENTION POOL			
For financial year 2006/2007			
Geographical Strategy	Recipient	Total Cost (£)	Description (end use)

THE GLOBAL POOL			
Afghanistan	Afghan National Police	£440,216	Construction of Permanent Vehicle Check Points in Lashkargah (x8), Gereshk (x2) and Garmsir (x 4); ANP Outposts/stations in Lashkargah (x4) and Gereshk (x3). Construction of a Joint Provincial Co-ordination Centre in Lashkargah Refurbishment and security upgrade to ANA Platoon house in Gereshk Security upgrade to the compound housing the office of the Governor of Helmand Province
	Afghan National Army	£7,301	
	Governor of Helmand Province	£48,868	
	Governor of Helmand Province	£74, 264	One Toyota Land Cruiser 105 GX Station Wagon, 4.2L Diesel. Body armoured to level B6. Vehicle provided to facilitate the safe movement of the Governor of Helmand around the province.
Afghanistan Counter Narcotics	Counter-Narcotics Police of Afghanistan (CNPA) Ministry of Justice	£46,803	Refurbishment and security upgrade to the CNPA facility in Lashgar Gah
		£19,417	Security upgrade to Lashgar Gah prison
		£94,050	2 x Ionscan systems to be used by KIA Police: a) Sabre 4000 – handheld ion detector b) Ionscan 500D – sample collector with spectrum analyser
Belize and Guatemala	Belize Defence Force	£25, 000	1. Slingsby Aircraft parts
	Belize Defence Force	£40,000	2. Three Mitsubishi vehicles
		Total: £65, 000	
Nepal	Royal Nepalese Army	£59,152 £15,462.07	<u>Explosive Ordnance Disposal Equipment</u> 1. 2 x DAF 45 Box Body truck for carriage of EOD equipment. Shipping, customs etc

		£27,000	29 boxes of 20 Pigstick cartridges, 13 boxes of 10 Hotrod cartridges, 4 boxes of 66 mini Pigstick cartridges, Wheelbarrow Release Module (repair item), Wheelbarrow Camera (repair item). <i>Note that these items were bought and paid for in 05/06, but due to logistical issues, could not be delivered until this FY.</i>
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