Strategic Export Controls: Licensing Statistics

Commentary

July - September 2016

Coverage: UK

Frequency: Quarterly

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This statistics release provides the data about the **decisions made on licence applications** to the Export Control Organisation (ECO), part of the Department for International Trade.

The ECO controls exports of military goods or non-military goods (civilian goods that can be used for military purposes) from the UK.

Headline results:

- Between 1 July and 30 September a total of 3,431 Standard Individual Export Licences (SIELs) were issued, refused or revoked, down by 6% compared with the previous quarter.

- Of these standard licensing decisions, 97% were issued, 3% were refused, and none were revoked.

- Open Individual Export Licences (OIELs) issued, rejected or revoked fell by 14% compared with the previous quarter, from 86 to 74.

- Of these open licensing decisions, 85% were issued, 15% were rejected, and none were revoked.

- Between 1 July and 30 September, 79% of SIELs were processed to first outcome within 20 working days, whilst 44% of OIELs were processed to first outcome within 60 working days.

Introduction

This commentary accompanies the latest Quarterly Strategic Export Controls Statistics data tables, published on the DIT strategic export controls statistics web page on 17th January 2017. It aims to provide a brief overview of recent trends in the data presented in the data tables. The data tables present the latest detailed information on licensing decisions for each quarter from 2008Q1 to 2016Q3. The data are based on a snapshot of the live system data taken on 6th December.

Licence applications are submitted to and processed by the Export Control Organisation (ECO) through a purpose-built online licensing system called SPIRE. There are several types of licence and the type of licence applied for will depend on numerous factors such as the type and volume of good being exported, the destination of the goods and who will be using the goods.

The statistics present a picture of how licensing decisions have been made, which is useful for policy officials in the ECO and also allows analysis of the operational efficacy of the licensing system. The data are also regularly used by the press, non-government organisations and academics to evaluate strategic export control policies. Further detail is available in this document under Uses of the data.

Summary of results

Issued licences

1. Export and Trade Control licences give permission for certain strategic exports to be made from the UK to another destination, and for overseas trade in strategic goods. The actual number and value of transactions made under the licences is likely to be less than those licensed because some licences will not be used to make all of the exports authorised and others will not be used at all.

2. Standard Individual Export Licences (SIELs) are by far the most common licence type issued for export of controlled goods from the UK. The number of SIELs issued each quarter since 2008Q1 has averaged around 3,100, much higher than OIELs (65), SITCLs (36) and OITCLs (6). Registrations to use Open General Export Licences (OGELs) have averaged around 380 each quarter since 2008Q1.

> **Standard Individual Export Licences (SIELs)** are specific to an individual exporter and generally allow shipments of *specified items to a specified consignee up to the quantity specified* by the licence. There are 5 main subtypes; permanent standard, temporary standard, incorporation, transhipment and SIELs for Goods covered by Council Regulation 1236/2005.
>
> **Open Individual Export Licences (OIELs)** are *specific to an individual exporter and cover multiple shipments of specified items to specified destinations and/or, in some cases, specified consignees.* Licences permitting permanent export are generally valid for up to 5 years from the date of issue. However, OIELs covering the export to EU Member States of goods entered on the Military List and Dealer to Dealer OIELs (an OIEL subtype) are generally valid for 3 years.
>
> An **Open Individual Trade Control Licence (OITCLs)** is s*pecific to a named trader and covers involvement in trading of a generally unlimited supply of specific goods between specific source and destination countries and/or specified consignors, consignees and end-users.* OITCLs are generally valid for 5 years.
>
> A **Standard Individual Trade Control Licence (SITCLs)** is *specific to a named trader and covers involvement in trading of a set quantity of specific goods between a specific source and destination country with a specified consignor, consignee and end-user.* SITCLs will normally be valid for 2 years.
>
> **Open General Export Licences (OGELs)** are pre-published licences allowing the export of certain goods to certain destinations. Generally the quantity of goods allowed for shipment is not limited.
>
> For more information, see the introductory pages of the latest country pivot report.

3. Issued SIELs are predominantly of the 'Permanent Standard' sub-type (see Chart 1) which is clearly driving the overall trend in total SIELs. However, 'Temporary Standard' and 'Incorporation' SIELs are not insignificant, making up around 7% and 10% of issued SIELs each quarter, on average. Total issued SIELs each quarter increased slowly from 2008Q1 to 2013Q1 where they peaked at 3,609. Since then the trend varied between c.3,000 and c.3,500, reaching a peak of 3,720 in 2015Q3, although there was a notable dip in licences issued in 2014Q2. This coincided with the rollout of a new IT system in the Department for Business, Innovation and Skills, which is likely to explain the fall. The peak in the following quarter is likely to be due to the ECO clearing the back log of applications that had accumulated.

4. The recent increase between 2014Q1 and 2014Q2 is likely to be explained by operational reasons. Increased resourcing from around May 2014 helped with more licence decisions being made. The

number of licences issued in 2015Q3 was the highest since 2008Q1 at 3,720. Again, this is likely to be explained by operational reasons.

Permanent Standard SIELs are for items that are for permanent export to a destination.

Temporary Standard SIELS are for where the export is temporary, for example for the purposes of demonstration, trial or evaluation, and the licence is generally valid for one year only. The goods must be returned before the licence expires. Temporary SIELs can cover more than one destination.

Incorporation SIELs are for goods that are due to be incorporated ie, installing them into another product or higher level system. For incorporation cases there are two end user types. The 'end user' is the person/organisation incorporating the goods. The 'ultimate end user' is defined as the entity that uses the product or the higher level system into which the exported goods are installed or incorporated.

Transhipment SIELs are needed for the transhipment of certain goods through the UK en-route from one country to another, providing certain conditions are met. This subtype of SIEL is also called a Standard Individual Transhipment Licence (SITL). Most other transhipments (of certain goods through the UK en-route from one country to another) can be made under one of the Open General Transhipment Licences, provided in all cases that the relevant conditions are met.

SIELs for Goods covered by Council Regulation 1236/2005 concern trade in certain equipment and products which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment. These are classed as non-military goods but can appear separately to the statistics on licences for non-military goods.

For more information, see the introductory pages of the latest country pivot report.

**Chart 1: Number of SIELs issued, by licence sub-type**
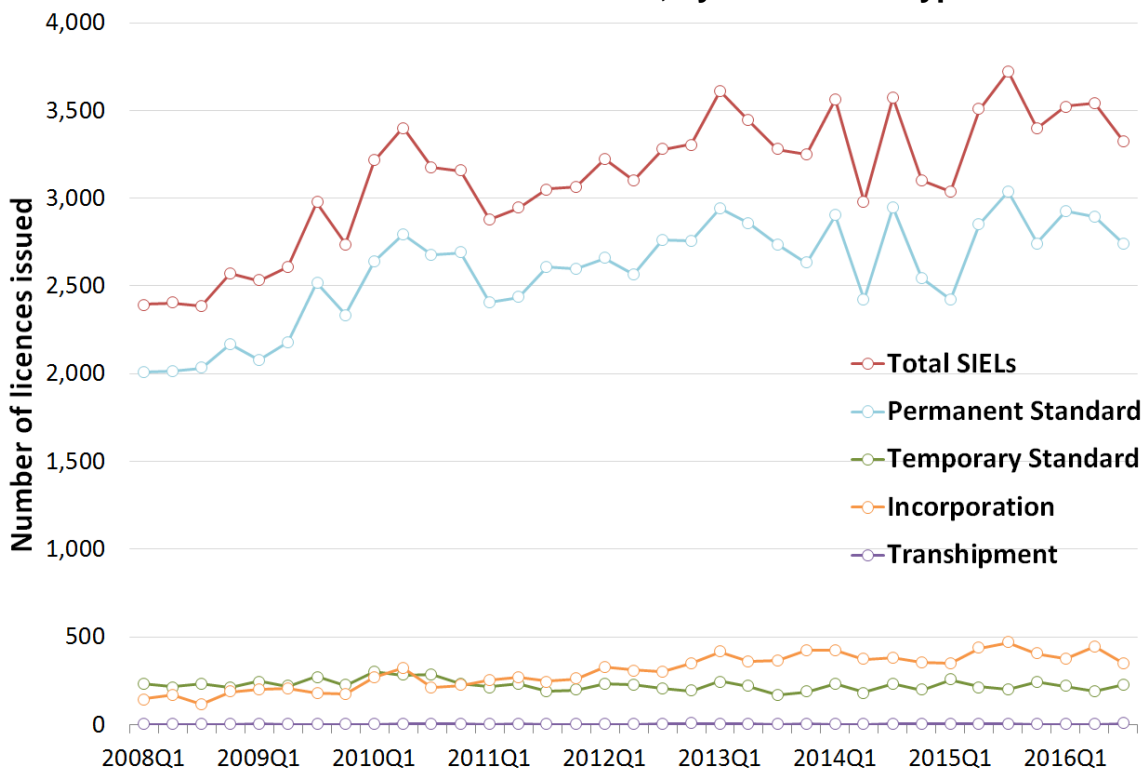
Source: Table A, Strategic Export Controls Licensing Statistics

5. Chart 2 shows how the value of goods issued for exportation under SIELs can vary a lot from quarter to quarter, with a handful of licences often explaining extreme values. The goods are valued by the licence applicant and not all goods licensed are actually exported.

6. Noticeable peaks in 2009Q2, 2011Q2, 2013Q1, 2013Q2 and 2015Q2 can be explained by a handful of licences. Around £1.5 billion of the £3.8 billion worth of goods licensed in 2009Q2 was for combat aircraft to Saudi Arabia. A series of high value licences (between £10 million and £20 million) for equipment employing cryptography to Malaysia, totalling around £615 million, along with a licence to the USA for materials containing enriched and natural uranium, valued at around £575 million also contributed to the 2009Q2 peak.

7. In 2011Q2, goods valued at £2.3 billion, largely relating to components for military aero-engines, licensed to France, made up a large proportion of the £5.7 billion of goods. Around £1.5 billion was for combat aircraft to Saudi Arabia, which were issued due to the previous license for goods in 2009Q2 not being fully utilised. Where licences are not fully utilised a new application for the goods may be made. As a result, a particular good may be licensed several times within the historical trend.

8. In 2013Q1, equipment employing cryptography, for non-military use, was issued for export to Israel, which made up most of the value of licences issued in that quarter. Although issued, this licence was surrendered before any goods were shipped.

9. In 2013Q2 the approximately £1.5 billion of combat aircraft to Saudi Arabia had still not been fully shipped, so new licences were again issued for the same value of the same goods. The same happened again in 2015Q2; new licences were again issued for a similar value of the same goods.

10. In 2015Q3 one licence for Saudi Arabia accounted for approximately 40% of the total value of all licences granted; this was part of a long-term contract for the delivery, over a number of years, of a new munitions capability.

Chart 2: Value of goods issued for exportation under SIEL licences
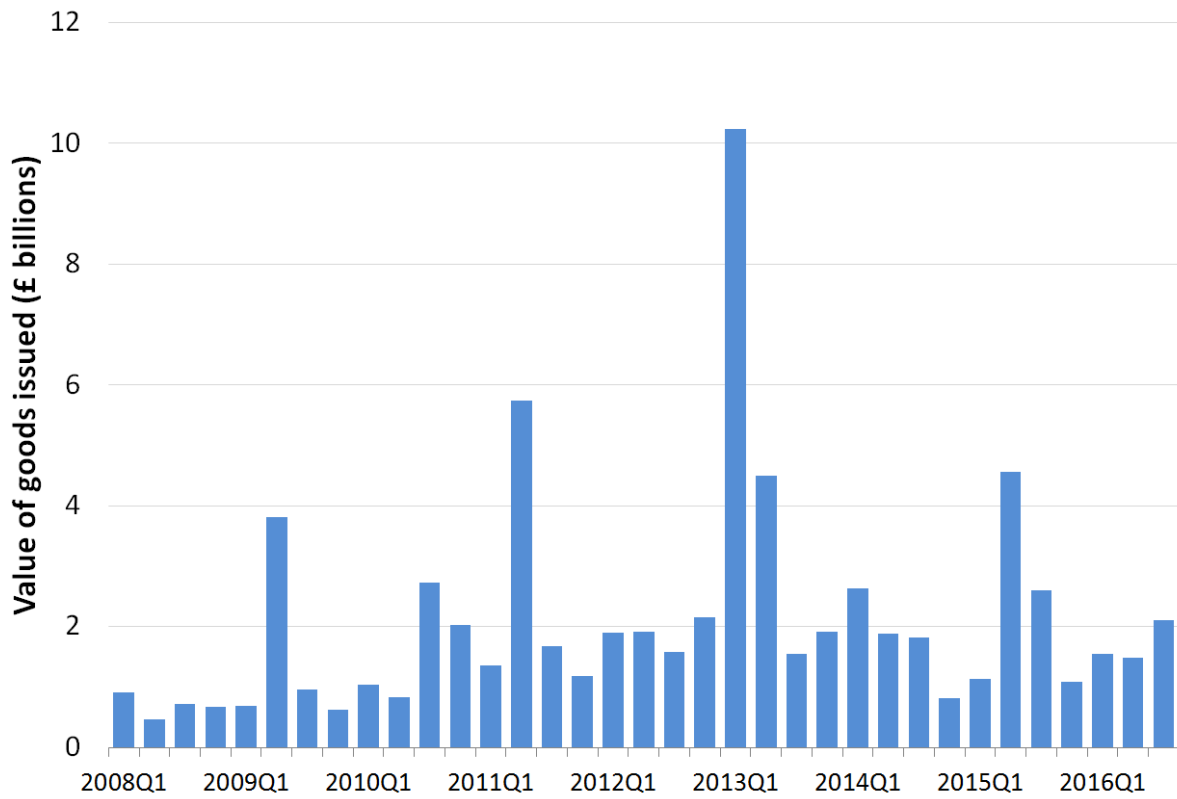
Source: Table E, Strategic Export Controls Licensing Statistics

11. Issued OIELs were largely comprised of 'Standard' OIELs (see Chart 3). The number of OIELs issued is much smaller than the number of SIELs issued, however the quantity of goods for exportation is generally not limited on OIELs.

Open Individual Export Licences (OIEL) are specific to an individual exporter and cover multiple shipments of specified items to specified destinations and/or, in some cases, specified consignees. Licences permitting permanent export are generally valid for up to 5 years from the date of issue. However, OIELs covering the export to EU Member States of goods entered on the Military List and Dealer to Dealer OIELs (an OIEL subtype) are generally valid for 3 years. **Standard OIELs** are the most common type of OIEL issued and but there are several OIEL subtypes:

Dealer-to-dealer OIELs authorise UK registered firearms dealers to export certain categories of firearms and ammunition solely to other registered firearms dealers on the European Union only, provided that copies of valid documentation are forwarded to the Home Office at least 2 working days before each shipment.

Cryptographic OIELs authorise the export of specified cryptography hardware or software and the transfer of specified cryptography technology. These licences do not cover hardware, software or technology which includes certain types of cryptanalytic functions.

Media OIELs authorise the export of military helmets, body armour, non-military 4WD civilian vehicles with ballistic protection and specially designed components for any of these items, mainly for the protection of aid agency workers and journalists in areas of conflict. 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.

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.

Global Project Licences (GPL) are a form of export licence that were introduced by Framework Agreement partners (UK, France, Italy, Sweden, Spain and Germany) to streamline the arrangements for licensing military goods and technologies between them, 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 operate on a similar basis to UK Open Individual Export Licences. In the UK, applications for GPLs are assessed against the Consolidated Criteria.

12. The peak of 104 OIELs issued in 2011Q4 does not appear to be due to a particular reason but could be explained by either an increased number of applications or increased efforts within the ECO to encourage the use of OIELs instead of SIELs, or the effect of these reasons combined.

Chart 3: Number of OIELs issued by licence sub-type
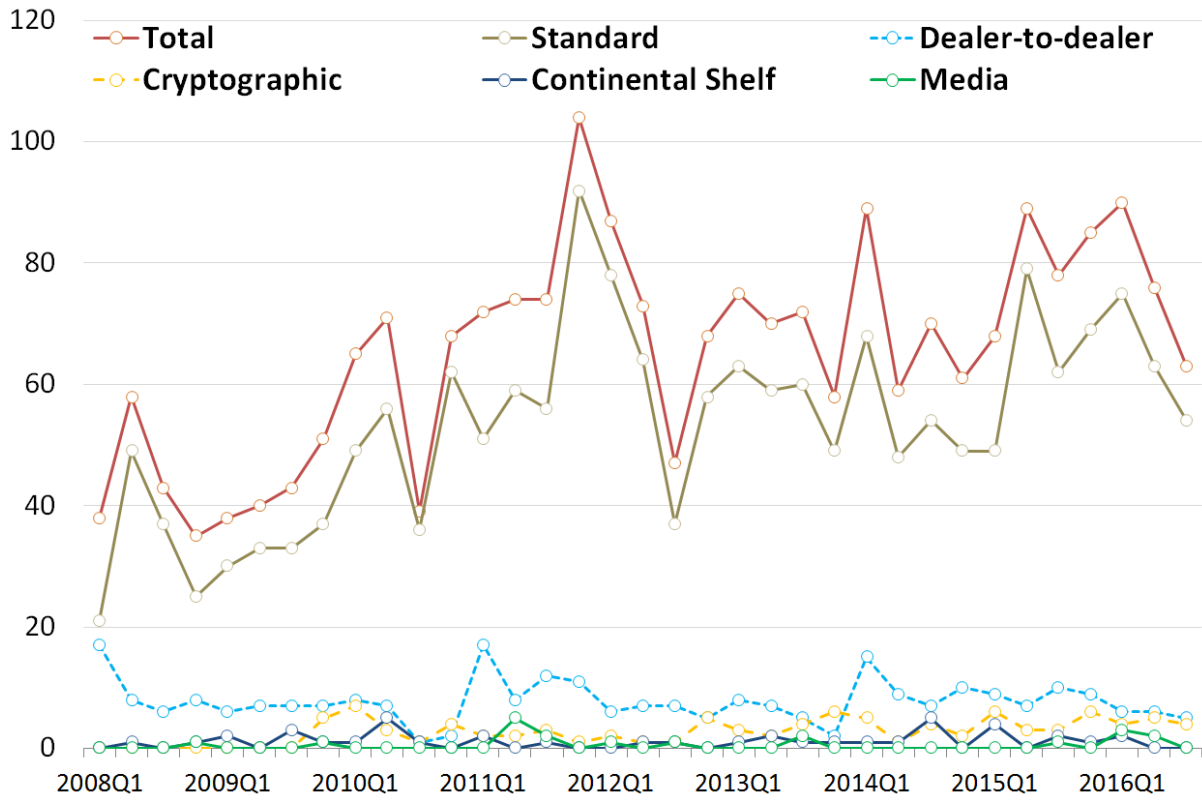
Source: Table A, Strategic Export Controls Licensing Statistics

13. The numbers of SIELs and SITCLs refused and OIELs and OITCLs rejected tend to be much lower than the numbers issued (see Chart 4). However, SIEL refusals consistently exceed other licence types by around 60 refusals per quarter on average. The number of SIELs refused in each quarter has averaged around 60 but some periods have seen over 100 refusals, including 2010Q4 when 111 were refused, 2015Q3 when 104 were refused, and 2016Q3 when 104 were refused. In 2010Q4, most (85) of these were refusals for licences to Iran, due to a broader range of sanctions coming into effect on 25 October 2010 (Council Regulation (EU) No 961/2010). See the ECO website for more details about sanctions on Iran: https://www.gov.uk/sanctions-on-iran. In 2015Q3, a quarter of the refusals were for licences to Russia (26). Along with Russia, refusals for licences to China (22), Iran (17) and Pakistan (10) made up the bulk of the 104 refusals. Each of these refusals were due to sanctions in place for these destinations. In 2016Q3, refusals for licences to Dubai (27), Pakistan (17), China (16) and Iran (10) made up the bulk of the 104 refusals.

Chart 4: Number of licences refused/rejected by licence type
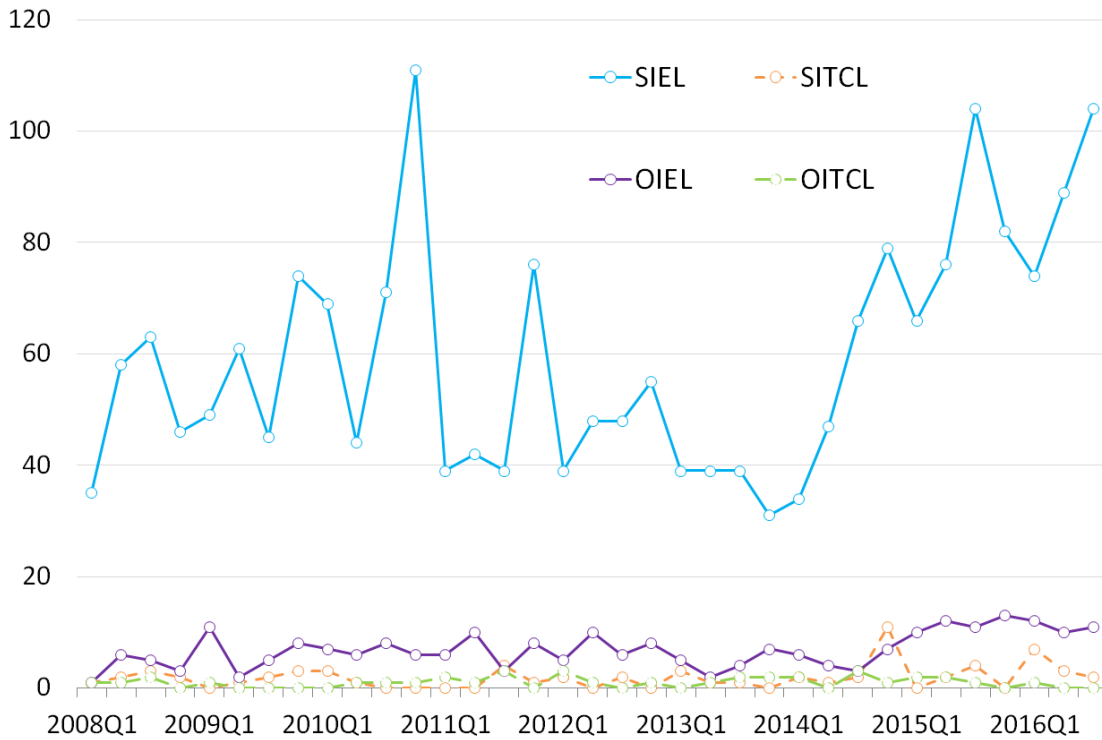
Source: Table A, Strategic Export Controls Licensing Statistics

14. Table 1 shows that SIEL revocations peaked in 2011Q1, with smaller peaks in 2008Q4, 2009Q3, and 2012Q2. Each can be explained by the implementation of various sanctions, or as a result of licence reviews following a change of circumstances in the destination country or region. The relatively large number of revocations in 2011Q1 was due to above average numbers for Libya (46), Egypt (36) and Bahrain (21) related to the introduction of sanctions related to the Arab Spring.

15. Sanctions on Iran were the primary reason behind the small peak of revocations in 2008Q4. The conflict between Georgia and Russia also played a part, with 5 revocations to for licences to Georgia. In 2009Q3 eight licence revocation for goods destined for Sri Lanka, due to an outbreak of conflict in the country, were largely responsible for the peak seen (see Table 1). A change in policy towards strategic exports to Argentina in 2012Q2 saw 37 licences revoked.

16. OIELs revocations peaked in 2014Q3 (see Table 1), due to 50 revocations to Russia due to restrictions introduced with respect to the Russia-Ukraine conflict. This was accompanied by 25 SIEL revocations to Russia. Again, most SIEL revocations were for permanent standard SIELs.

Table 1: Number of licences revoked by licence type

	OIEL	OITCL	SIEL	SITCL
2008Q1	0	0	1	0
2008Q2	0	0	1	0
2008Q3	7	0	0	0
2008Q4	6	0	19	0
2009Q1	0	0	1	0
2009Q2	0	0	1	0
2009Q3	1	0	10	0
2009Q4	0	0	2	0
2010Q1	0	0	0	0
2010Q2	0	0	0	0
2010Q3	0	0	0	0
2010Q4	0	0	0	0
2011Q1	14	0	121	2
2011Q2	1	0	2	0
2011Q3	1	0	1	0
2011Q4	0	0	1	0
2012Q1	0	0	2	0
2012Q2	7	0	38	0
2012Q3	0	0	2	0
2012Q4	1	0	0	0
2013Q1	0	0	0	0
2013Q2	1	0	5	0
2013Q3	0	0	6	0
2013Q4	3	0	5	0
2014Q1	12	1	2	0
2014Q2	0	0	11	0
2014Q3	50	1	35	0
2014Q4	0	0	1	0
2015Q1	2	0	9	0
2015Q2	2	0	3	0
2015Q3	1	0	0	0
2015Q4	0	0	0	0
2016Q1	0	0	0	0
2016Q2	0	0	0	0
2016Q3	0	0	0	0

Source: Table A, Strategic Export Controls Licensing Statistics

17. OGEL registrations have been fairly consistent since 2011Q1. Peaks are seen in 2010Q4, largely due to registrations to the "Military Goods, Software and Technology" OGEL and in 2008Q2, partly due to relatively large numbers of registrations to the "Technology for Military Goods" and "Military Goods, Software and Technology: Government or NATO End-Use" OGELs, but partly due to above average registrations across a number of other OGELs.

Chart 5: OGEL registrations, suspensions and deregistrations
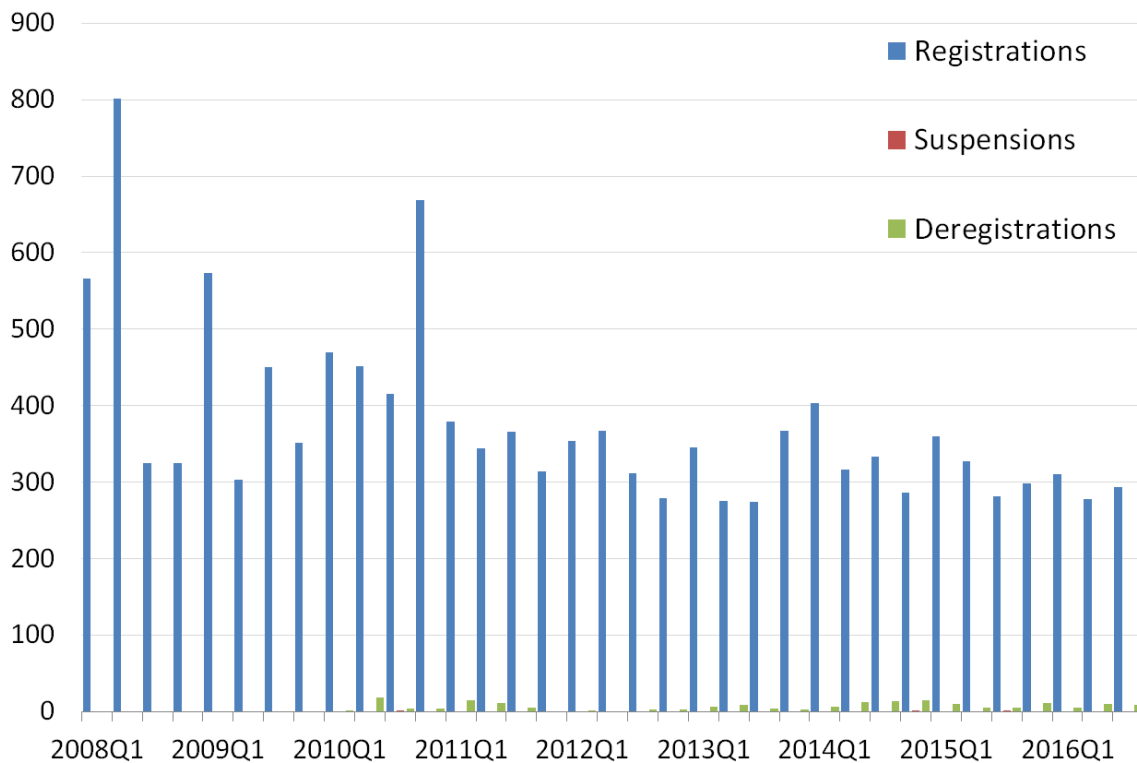
Source: Table D, Strategic Export Controls Licensing Statistics

Goods with Military and Non-military Control Entries

> **Control Entries** are the codes assigned to each good on the **consolidated list of goods that require export authorisation (herein 'consolidated list').** For example, all control entries beginning 'ML' (such as ML1, ML8 etc) are control entries for military goods. The process of assigning control entries to goods is called **Rating**.
>
> In some cases goods can be made subject to control if they do not appear on the **consolidated list.** Goods that the exporter has been told, knows or suspects are, or may be, intended for "WMD Purposes" are given the rating "End-Use". Goods that the exporter has been told, knows or suspects are, or may be, intended for use as components in, or production or test equipment for, military equipment in an embargoed destination; or may be intended for use as parts of military goods illegally obtained from the UK, irrespective of destination, are given the rating "MEND". Both of these "end-use" ratings are also sometimes referred to as "catch all" ratings.
>
> The UK Strategic Export Control Lists can be found here: https://www.gov.uk/uk-strategic-export-control-lists-the-consolidated-list-of-strategic-military-and-dual-use-items
>
> For more information, see the introductory pages of the latest country pivot report.

18. Control Entries provide in-depth descriptions for the classification of licensable goods. Table 1 provides summary descriptions of Control Entries based on the consolidated list of goods that require export authorisation (see box above). High ranking Control Entries have been combined where they cover similar goods (specified in square brackets in Table 1). Note that licence counts are only an indication of export volumes and counts are not the same as goods quantity.

Table 2: Top-5 Military and Non-military goods licensed on permanent standard SIELs in 2015, by number of licences

Top-5 Military Use		Top-5 Non-military Use	
Aircraft, components and related equipment [ML10]	1,608	Equipment and software with "information security" capability [5A002, 5D002,5E002]	1,488
Firearms [ML1]	918	Chemical processing equipment (pumps, valves, etc) [2B350]	467
Electronics (eg, navigation, communications) [ML11]	714	Imaging cameras [6A003]	422
Bombs, missiles and related equipment and components [ML6]	534	Navigation equipment [7A103]	227
Vehicles and components [ML4]	483	Protective and detection equipment [1A004]	207

Source: Table H, Strategic Export Controls Licensing Statistics
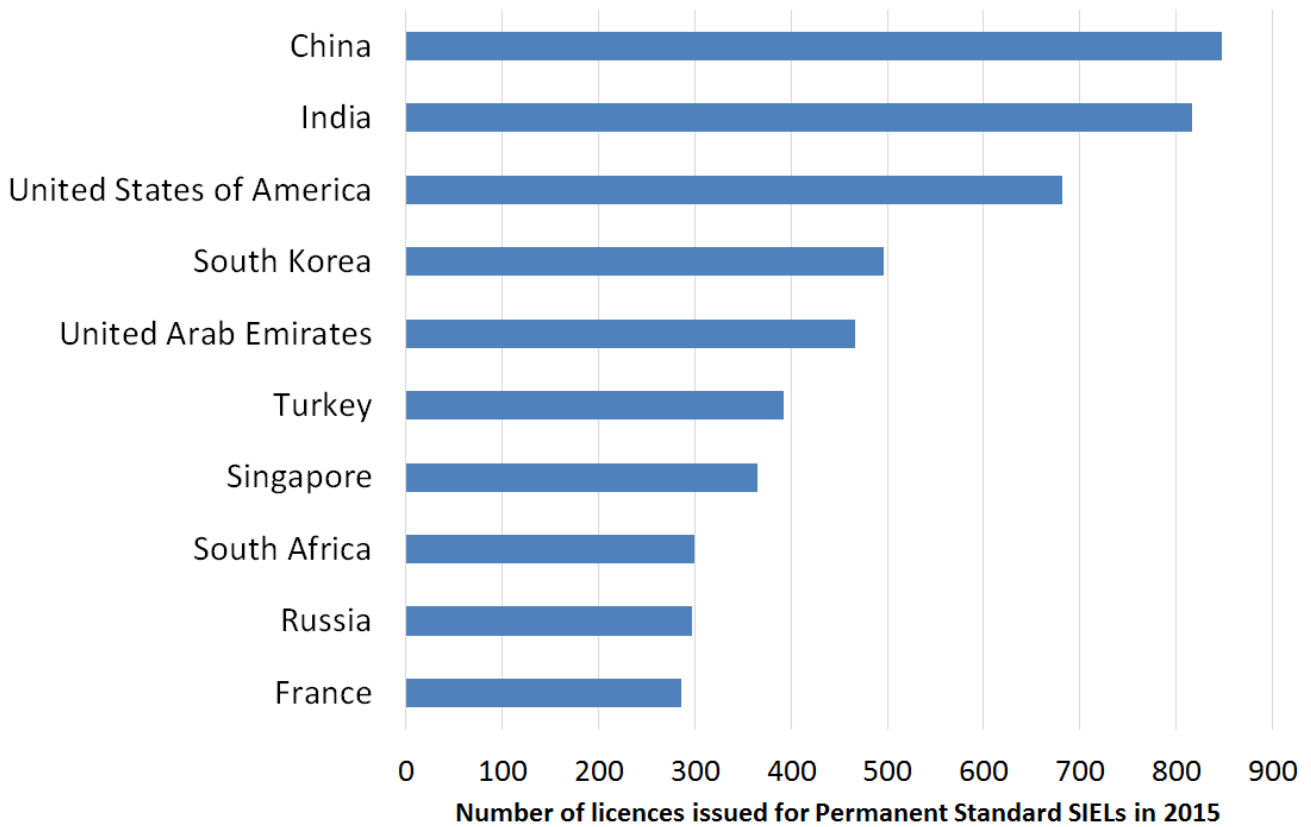
End User Destinations

19. In 2015, China was the end user destination with the highest number of licences granted for exportation of strategic goods under Permanent Standard SIELs, with 847 licences. India and United States of America also topped 500 licences.

Map 1: Number of licences issued per end user destination in 2015

Number of Permanent Standard SIELs issued in 2015
- 0
- 1 - 10
- 11 - 20
- 21 - 100
- 101 - 200
- 201 - 847
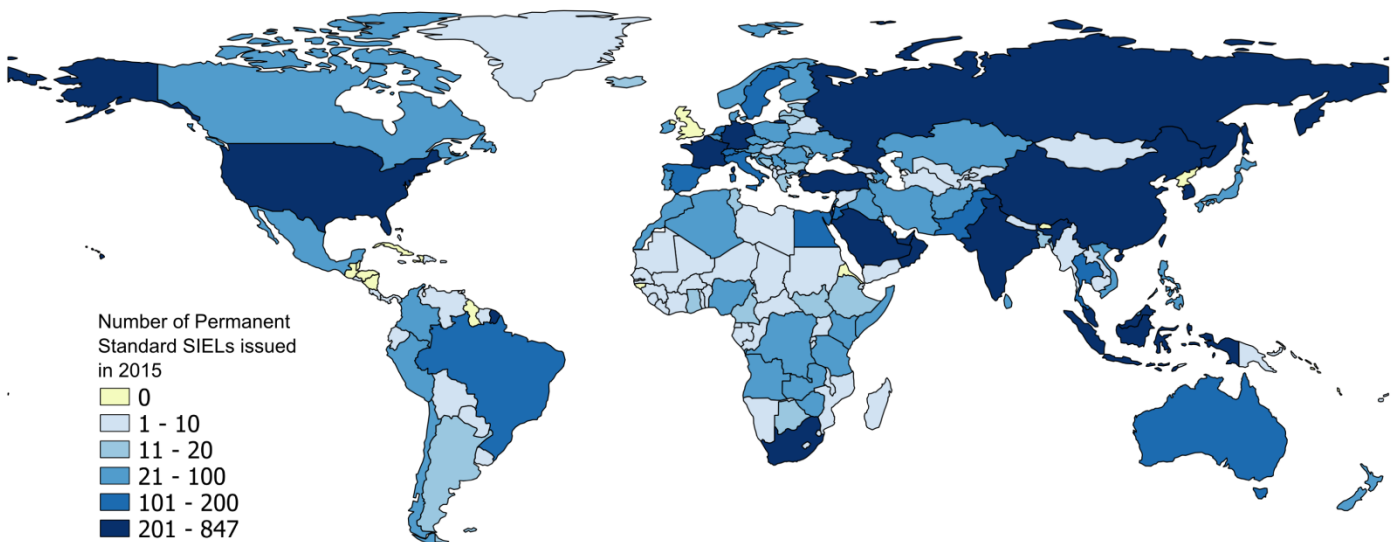
Source: Table E, Strategic Export Controls Licensing Statistics
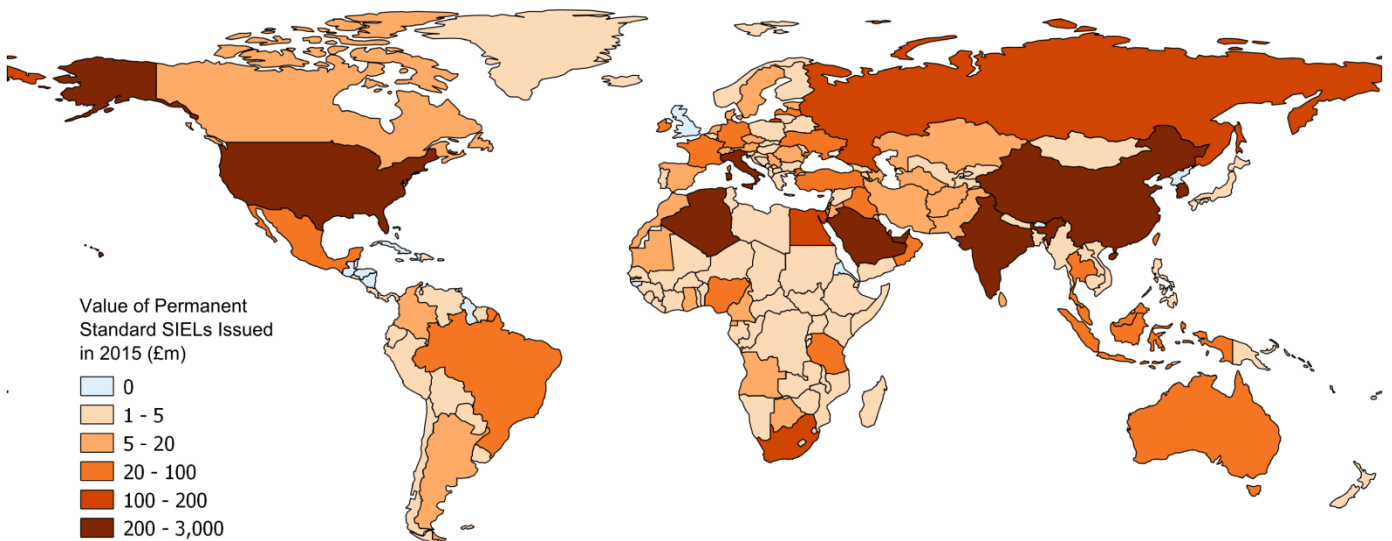
Chart 6: Top 10 end user destinations licensed, 2015

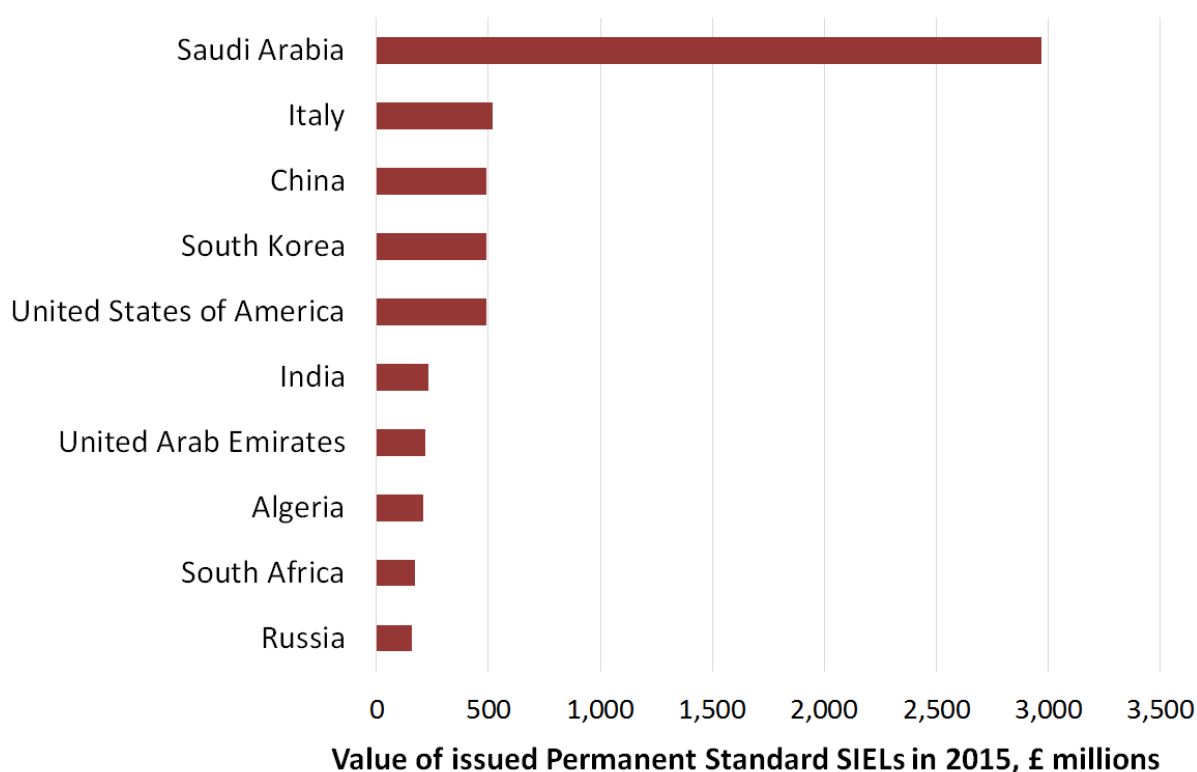Source: Table E, Strategic Export Controls Licensing Statistics

20. In 2015, Saudi Arabia was the end user destination with the highest value of licences granted for exportation of strategic goods under 'Permanent Standard' SIELs, with licences issued for exportation of £2.97 billion worth of goods (as valued by applicants), though as set out in paragraphs 8 and 9, the bulk of this value (87%) can be attributed to two licences. Italy, China, South Korea and the United States of America made up rest of the top 5 with licences issued for goods valued around £500 million each.

Map 2: Value of licences issued per end user destination in 2015

Source: Table E, Strategic Export Controls Licensing Statistics

Chart 7: Top 10 end user destinations licensed in terms of licence values, 2015

Value of issued Permanent Standard SIELs in 2015, £ millions

Source: Table E, Strategic Export Controls Licensing Statistics

Initial processing statistics

21. In 2016Q3, 79% of SIEL applications (where licences were closed for the first time, i.e, not counting re-opened and re-closed cases) were completed within 20 working days. Incorporation SIELs tend to have lower completion rates within this time due to their higher complexity requiring more processing time, however, these were completed at the highest rate of any of the SIEL subtypes (85%). By 60 working days, almost all (99%) had been processed.

Table 3: Processing statistics for licence closed during 2016Q2

	All licence applications completed in 20 working days	% applications completed in 20 working days	All licence applications completed in 60 working days	% applications completed in 60 working days	Median processing time (days)
Total SIELs	3432	79	4314	99	14
Permanent	2899	78	3672	99	14
Temporary	209	79	259	98	14
Transhipment	10	71	14	100	11
Incorporation	312	85	367	100	14
For items covered by EC Regulation 1236/2005 (Permanent or Temporary)	2	100	2	100	13

Source: Table B, Strategic Export Controls Licensing Statistics

22. Forty four per cent of OIEL applications were completed within 60 working days.

Background notes

Quality information for the Strategic Export Control statistics release

1. These statistics are designated as Official Statistics under the Statistics and Registration Service Act 2007. From July 2015 these statistics have been produced to fully comply with the Code of Practice for Official Statistics. The only exception to Code compliance is that on 4 June 2015 the UK Statistics Authority approved a request to be exempt from Protocol 2 Practice 6 of the Code of Practice for Official Statistics (to "Include the name and contact details of the responsible statistician in statistical reports"): http://www.statisticsauthority.gov.uk/assessment/code-of-practice/exemption-requests/index.html. The United Kingdom Statistics Authority has not assessed these statistics for compliance against the code and as such these statistics are not National Statistics.

2. An administrative source (ie, the licensing management system 'SPIRE') is used to produce the Strategic Export Controls statistics. The Statement of Administrative Sources is available on the BIS Strategic Export Controls statistics webpage.

3. Quality issues related to the Strategic Export Controls statistics are outlined in the Quality and Methodology Information Report and in caveats outlined in the Table Notes of each set of Excel data tables.

4. In addition, footnotes have been supplied to provide more context for certain licences. Country footnotes are supplied on the country pivot report and Excel data tables and give country-specific information on how licences applications have been assessed. Case & Goods footnotes are provided on the country pivot report only and aim to offer information on how licensing decisions were made with regards to particular goods and details of their use.

5. A small number of specialised licences have not been counted within this commentary due to how they are processing on SPIRE. Available data on these licences is available in the 'Other Licence Types' data table.

Uses of the data

6. Within government, the Foreign and Commonwealth Office (FCO), Ministry of Defence (MOD), Department for International Development (DfID) and Department for Energy and Climate Change (DECC) each use the licensing data to inform policy and decision-making. Data are supplied for use in the annual report on Britain's export control policy and practice during the year. Published by the FCO, it is a collaboration between the FCO, BIS, DfID and the MOD. The Strategic Export Controls annual report 2014 is available here: https://www.gov.uk/government/publications/uk-strategic-export-controls-annual-report-2014

7. Before the dissolution of Parliament on 30 March 2015, the Committees on Arms Export Controls (CAEC) examined the Government's expenditure, administration and policy on strategic exports. The Committee on Arms Export Controls (CAEC) was re-formed in January 2016 to continue to examine the Government's expenditure, administration and policy on strategic exports. The licensing statistics informed their work throughout these periods.

8. Non-government Organisations such as Campaign Against the Arms Trade (CAAT) and Amnesty International use the data to monitor strategic exports. Academic and research institutions such as Export Control Advisory Committee (ECAC) and Export Group for Aerospace, Defence & Dual-Use (EGADD) are also known to use the statistics.

Related Statistics

9. UK Trade and Investment Defence and Security Organisation (UKTI DSO) publish statistics on UK defence export performance based on sales and new orders. Like the Strategic Export Controls licensing statistics, these do not represent actual exports. Sales may or may not be actually made and new orders may or may not be fulfilled. In addition to providing detail about the types of goods licensed for export the ECO's licensing statistics also give information on end user destinations, the value of licensed goods and they present a picture of usage, such as whether the goods are licensed for permanent export, are to be returned (temporary), are being incorporated and forwarded on or if the goods are merely passing through the UK en-route to another destination (transhipments). The DSO statistics do not provide this same level of detail.

10. The aforementioned 'Strategic Export Controls annual report' also presents licensing data. As well as presenting similar data on issued, refused/rejected and revoked licences, plus processing times, it also presents information on refusal criteria counts and information on appeals (against refusals/rejections).

11. The ECO also reports licensing data to the UN Register of Conventional Arms, which has a main aim of 'transparency in armaments' across countries: http://www.un.org/disarmament/convarms/Register/. Data is also provided to the EU Annual Report on Arms Exports which allows a comparison to be made with data provided by other EU Member States: http://www.eeas.europa.eu/non-proliferation-and-disarmament/arms-export-control/index_en.htm

Revisions

12. Our *revisions policy* can be found on the ECO Strategic Export Controls statistics webpage.

Further information

The most recently published country pivot report and accompanying data tables can be found on BIS' *Strategic Export Controls statistics* website. Quarterly and Annual country pivot reports prior to 2015Q1 are also available from the website, back to 2008Q1.

Data tables are available as Excel spread sheets and comma separated value (CSV) spread sheets. CSV spread sheets use a non-proprietary format that facilitates the manipulation of the data by a variety of software (not just Microsoft Excel).

The 'New Report' tool on the "Strategic Export Controls: Reports and Statistics" web page can also be used to download data. The tool offers a variety of filters that can be applied to allow users to download data of specific interest, such as licences which name a certain destination or licences for the shipment of goods with a certain Control Entry or Case Summary.

Please send us any comments or feedback you may have about this commentary.

Next publication: 19 April 2017

Statistical Contact: Email: ECO.statistics@trade.gsi.gov.uk

Website: https://www.gov.uk/government/collections/strategic-export-controls-licensing-data