



Highlights of [GAO-10-557](#), a report to the Committee on Foreign Affairs, House of Representatives

Why GAO Did This Study

The U.S. government annually controls billions of dollars worth of U.S. arms and dual-use items exported to its allies and partners through a system of laws, regulations, and processes. Weaknesses in this system led GAO in 2007 to include export controls as part of a high-risk area and called for a reexamination, including evaluating alternative approaches. Increasing international collaboration on defense programs also makes it important to understand how other countries control exports. Proposed treaties would change the process for the export or transfer of certain U.S. arms to the United Kingdom and Australia.

Based on a request to review allies' export control systems and the proposed treaties, this report (1) identifies how selected allies' systems differ from the U.S. system, and (2) assesses how the proposed treaties will change controls on arms exports.

To conduct its work, GAO selected six countries—Australia, Canada, France, Germany, Japan, and the United Kingdom—based on factors such as whether they were major destinations for U.S. goods or significant arms exporters; conducted site visits in four countries; analyzed agency documentation on the foreign and U.S. systems and treaty related documents; and interviewed officials.

What GAO Recommends

GAO is not making recommendations in this report.

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EXPORT CONTROLS

Observations on Selected Countries' Systems and Proposed Treaties

What GAO Found

Just as in the United States, selected allies' export control systems have changed over time to address security interests and to satisfy international commitments. Significant structural and other differences exist between selected allies' export control systems and the U.S. system. Five of the six countries have a single agency in charge of administering export control regulations for arms and dual-use items. In the United States, the Department of State administers controls for arms and the Department of Commerce does so for dual-use items. This difference and others are evident in several major areas of the export control process—jurisdiction, licensing, enforcement, outreach, and performance assessments. For example, in licensing, France and the United Kingdom use a risk-based approach, allowing a company with a satisfactory compliance record and an established business case to export multiple shipments of less sensitive defense items to particular destinations or identified recipients under a single license. The U.S. export control system for arms is transaction based, generally requiring a license for each proposed arms export unless an exemption applies. Under this approach, exporters submit a separate license application to State for each destination when exporting arms to multiple parties. In another example of how the systems differ, four of the six countries have one agency in charge of enforcing export controls. In the U.S. system, multiple agencies have concurrent authority to enforce arms and dual-use export controls. Four countries have conducted performance assessments of their export control systems that resulted in significant changes. The United States has made several changes to improve certain aspects of its control system and, in April 2010, the Administration announced proposed reforms following an interagency review. While GAO did not assess the effectiveness of other countries' systems, the practices highlighted in this report may inform U.S. reform efforts to increase the efficiency while maintaining or improving the effectiveness of the U.S. system.

Two proposed Defense Trade Cooperation Treaties, one with the United Kingdom and the other with Australia, will establish significant changes in U.S. controls of certain arms exports and transfers. Case-by-case reviews prior to export or transfer of arms under the treaties will not be required. Instead, treaty parties will establish approved communities of entities, facilities, and personnel eligible to export, transfer, or receive certain arms without licenses. State officials told GAO the treaties represent a move from transactional licensing and towards a more risk-based approach. To ensure security, the treaties will utilize existing safeguards and implement new ones. For example, record keeping requirements and the requirement to obtain U.S. government approval to export or transfer its arms outside of the approved community will remain in use under the treaties. A new safeguard under the treaties will require community members in the United Kingdom and Australia to handle unclassified U.S. arms at an increased security level. Several implementation issues, however, have yet to be resolved regarding enforcement, congressional oversight, and participation by small- and medium-sized businesses in the United Kingdom and Australia.