



Australian Government  
Department of Defence

# Working with industry to mitigate risks of diversion

August – CSP4 - Tokyo



# Article 11.1

‘Each State Party involved in the transfer of conventional arms ... shall take measures to prevent their diversion’

**REMEMBER:** every case will be different and measures will vary depending on the assessed risk

# Industry measures

- How can industry assist to prevent diversion?
  - end-user certificates
  - route security
  - delivery verification
  - maintenance contracts
  - post-shipment verification
  - awareness

# End-user certificates (EUCs)

- Industry can assist by:
  - obtaining the signatures / stamps from the end user and government
  - explaining why EUC is essential to foreign end user / government
  - certifying they will obtain re-export approval from the Australian government if the end user wants to re-export or transfer
- AND inserting complementary conditions in their contracts

# Route security

- A possible risk mitigation measure is a detailed route security plan.

[REDACTED] – Supply of [REDACTED]		Comments
Production Plant	[REDACTED]	Signatory to and accredited with the [REDACTED]
Export Port	Fremantle Port WA	[REDACTED] accredited supply chain
Shipping Line	MSC Shipping or Maersk Lines	[REDACTED] accredited supply chain
Destination Port	[REDACTED] The Customs and Port management insist the [REDACTED] is cleared and on transport within days of the product arriving at the Port.	[REDACTED] Technical Manager has reviewed the [REDACTED]
Inland Transport	Inland transport overseen by [REDACTED] [REDACTED] [REDACTED] [REDACTED] Tel: [REDACTED] Fax: [REDACTED] Transport will be on managed transport (GPS tracking) from Port direct to the [REDACTED] site.	[REDACTED] Co are part of the [REDACTED] logistics supply chain in [REDACTED] that service the [REDACTED] operations which [REDACTED] services under a separate DOD Export Permit. [REDACTED] reviewed [REDACTED] transport 10 to 18 May 2017
End User Company / Operation	[REDACTED] [REDACTED] [REDACTED] [REDACTED] There is a company brochure and corporate video available from the website. [REDACTED] has approved storage for 300 [REDACTED]	New customer. [REDACTED] will be servicing this customer together with [REDACTED] in line with [REDACTED] other business in [REDACTED] visited the operation on 15 May 2017
Location: See also map on next page	The project is located in the [REDACTED] at an elevation of 1620m, and approximately 640km South-East to [REDACTED]. It lays about 414km away from [REDACTED] on the [REDACTED], connected to [REDACTED] by a newly paved road, and [REDACTED] away from [REDACTED]. The nearest communities of significant size are [REDACTED] [REDACTED] which is 190km away, [REDACTED] to the West is 220km away and [REDACTED] to the South-East is approximately 100km away from the [REDACTED] site.	

# Delivery verification

- Is the exporter (or their agent) installing equipment or training the end user?
- Can they modify their contract to provide installation or training?
  - They can also help by providing training on appropriate use of equipment
- Serial numbers?
  
- AND inserting complementary conditions in their contracts

# Maintenance

- Will the exporter maintain the equipment?
- Will maintenance be conducted in-country or be returned to the exporter?
  - In-country maintenance preferred
- Include a permit condition for exporter to report when maintenance conducted – e.g. serial numbers and location

# Post-shipment verification

- Can be difficult if you don't have extra-territorial powers in your export control laws
- Include an acknowledgement in your EUC for end user to acknowledge that exporting government may conduct verification checks
- Ask industry to include obligation to submit to post-shipment verification checks in their contract for company / government

# Front Companies

- Attempt to deceive permit issuing authority to:
  - Circumvent controls
  - Confuse issuing authority
  - Appear legitimate
- Facilitate transshipment or diversion of goods for alternate end-use/s

# Conclusion

- Not easy
- **BUT** industry will cooperate if it enhances their chances of getting an export permit
- **AND** need to understand the commercial arrangements of your exporters
- **AND** need to work with industry early before contracts are negotiated

*Questions?*



UNCLASSIFIED