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Dear Liam,

Thank you for your letter of 19 February 2024 in which you request information from the Department for Business and Trade (DBT) in relation to your Committee's role in scrutinising UK export controls and sanctions. The Government recognises the important role the Committee on Arms Export Controls (CAEC) played in providing Parliamentary scrutiny of export controls and the work of the Export Control Joint Unit (ECJU) and we look forward to working with the Business and Trade Committee as the lead Parliamentary scrutiny committee with oversight of arms export controls and sanctions policy. Throughout 2022 and 2023 my Department continued our positive engagement with the CAEC and its clerks including two face to face briefings with officials from ECJU, one of which included our then Minister for Export Control, Nigel Huddleston MP. We also provided detailed responses to the CAEC's inquiries and follow up requests by correspondence.

We are very keen to continue with your Committee the positive engagement established with the CAEC and look forward to engaging with the Business and Trade Committee. With that in mind, I address below the specific requests for information in your letter.

1. The Government Internal Audit Agency (GIAA) report

The Government Internal Audit Agency (GIAA)'s report was related to the independent assurance it provided to DBT that the framework of governance, risk management and control underpinning ECJU, which were being reformed and delivered through its Transformation Programme, were robust and operating effectively. This Programme was closed in December 2022, and ECJU now has an ongoing programme of Continuous Improvement to build on and develop the Programme's outputs, alongside other measures. GIAA's report thus no longer provides the most current or relevant account.

As an alternative, I would be happy to include the latest update on our Continuous Improvement work as part of the regular updates on LITE that the Committee has asked for. I include this update within section two, below.

In the interests of full transparency, I am happy to set out here the key conclusions of the GIAA's report, which was written at the beginning of 2023. The GIAA's assurance process was based on their observations of governance forums, review of programme materials, discussions with the programme team, and a consideration of the GIAA's previous recommendations from an earlier interim assessment. At this point the GIAA gave ECJU a 'Moderate' assurance opinion – reflecting that improvements had been made following their interim position statement and confirming that it had observed good practice in the implementation of programme and project management controls, particularly in the areas of reporting, governance and risk management. It also confirmed that DBT had closed the Transformation Programme in accordance with good practice and with all necessary closure activities undertaken including the capturing of lessons learned, follow on activities to be taken forward in the Continuous Improvement stage identified and owners allocated, and all risks closed or transferred. The GIAA recommended there were some lessons to be learned for DBT for future programmes about the stage at which business case and benefits management arrangements are considered.

2. <u>Six-monthly update on the LITE IT system</u>

In the Government response of 9 January 2023 to the CAEC's report *"Developments in UK Strategic Export Controls",* we committed to providing the Committees with 6-monthly updates on our new digital export licensing system, Licensing for International Trade (LITE). We honoured that commitment via our latest by written update on 29 August 2023 and our latest update was thus due around now. LITE has progressed well since the last update, with 130 exporters using the service to apply for a Standard Individual Export Licences (SIEL) at the time of writing. As we continue through the private beta phase, we are adopting a controlled approach to increasing the number of applications on LITE by 15% each month, mandating further users to use LITE as we incrementally reduce applications on SPIRE Managing the uptake of LITE in this way enables us both to test the working of the system in an increasing throughput of cases, and to improve the system based on exporter feedback, whilst ensuring we meet legislative commitments, and complete the operational transition in a managed way.

The plan remains to move to public beta in April 2024, which will allow any exporter to apply for a SIEL using LITE. As the volume of applications grow, we are engaging with exporters and trade associations to communicate about and increase usage of the new system. Support and training is offered to all users as they register for and use LITE for the first time.

Data reporting on LITE

We remain committed to maintaining a transparent export control system, and the work on effective LITE data publication is progressing in parallel with other workstreams. As further LITE functionality is rolled out, we will be able gradually to increase and improve the data published from LITE – including for Open Individual Export Licences (OIELs). This will be an iterative process, and we will retrospectively publish all LITE data that was omitted during the transition period to ensure there are no overall reductions in transparency.

We are also using the development of LITE as an opportunity to improve the way we publish data. We will continue to publish the strategic export controls licensing Official Statistics in the same overall format; but are changing and improving the overall format of how we publish data through the searchable database website, with development of the replacement service now well underway. These changes are based on research with known users of the searchable database website to make sure the format best meets their needs.

Continuous Improvement

ECJU has looked at continuous improvement in the past; this is not a new concept, but we want it to be central to our day-to-day culture. We are drawing on and bringing together a range of activity, including relevant outputs of the previous ECJU Transformation Programme as noted above, work to understand and improve ECJU processes as we move off SPIRE to LITE, actions to respond to the Civil Service People Survey results, and the day to day thinking of all teams on how they could do things better. Our immediate priorities for 2024 include understanding continuous improvement needs in our policy teams, documenting and testing standard operating procedures for LITE, and hosting process improvement workshops to develop ideas and deliver quick wins. We are underpinning this by conducting a retrospective review of the ECJU Transformation Programme to inform our ongoing work.

We would be happy to provide a live demonstration of how the LITE system works. If you would be interested in this, please could you ask the Committee clerks to contact my officials to make the arrangements.

We will provide the next six-monthly update to the Business and Trade Committee on the LITE system in August 2024.

3. **The Military End Use Control (MEUC) review**

In May 2022, we extended our military end-use control (MEUC), the mechanism by which we control the exports of products that would not otherwise be covered by export restrictions. We widened the circumstances it could apply to and extended its reach to include exports to China. This was to strengthen our ability to prevent exports of concern, specifically those posing a threat to national security, international peace and security, and human rights.

The review has considered 12 months of operational experience since the expanded control came into force, looking at how it has been used, and whether that use was effective for addressing these concerns.

The review has been thorough, involving significant input and analysis across Government Departments, including from DBT, FCDO, MOD, DSIT, HMT and the Cabinet Office. As the review progressed it expanded to consider and address points raised by these departments. It has also responded to extensive feedback received from exporters across industry and academia.

This has involved looking at both how we’ve applied the revised controls (looking at the end uses and end users that have been affected), and our internal processes (including the impact of managing the extended controls on UK exporters applying for licences, including processing times). It has also considered the UK’s alignment with international partners – and the relative strength/application of similar controls.

These additional points and analysis of the use and impact of the control took longer than originally envisaged, but were vital to achieving a fully rounded and review – noting the importance of balancing security and human rights concerns with a responsiveness to the needs of UK exporters.

Ministers have considered the review findings, and we expect to be able to communicate key findings and implement recommendations in the coming weeks. We would of course be very happy discuss these findings and next steps in more detail at that stage.

4. Consultation on updating the export control regime and targeting of end-use and end-users of concern

Alongside our work to review the impact of our enhanced our military end use controls (detailed above), we have also been working on updates to our export control regime – most particularly to ensure our controls are up to date with developments in sensitive emerging technologies.

We have worked with other departments across government – notably the Department for Science, Innovation and Technology (DSIT) – to carry out a comprehensive review of emerging technologies to assess whether updates to our controls were necessary to meet the challenge they pose. This review was intended to establish whether there were gaps in our controls and if so, how they could be addressed.

The review focused on areas of the economy designated as sensitive in the UK's National Security and Investment Act in 2021 – and included: Artificial Intelligence, Civil Nuclear, Future Telecoms, Semiconductors, Space and Satellites; Engineering Biology, Quantum Technologies, Advanced Robotics, and Energy.

The review also considered (additionally) how we could best work more closely with international partners on certain emerging technologies, including gaps in export controls, with a view to improving collective security while maintaining a level playing field for UK exporters.

The complexity involved in effective assessment of new and still developing technologies and the inclusion of additional considerations meant that the review stage took longer than anticipated. Ministers have now concluded this review and we hope to be able to publish a summary of the review and findings and a consultation on next steps shortly. This consultation will include detail on proposed processes for keeping export controls up to date in future, including how we involve industry and relevant experts in reviewing new controls.

The Committee may also wish to be aware that, in line with the outcome of this review, we are planning to introduce new national measures on certain emerging technologies, in coordination with like-minded countries (including our G7 partners).

These new measures will include explicit, specific controls on items for which we currently rely on the overarching military end use control to make subject to an export licence, thus improving alignment with our partners on items of concern and giving more clarity for exporters.

They will be implemented at the same time as updates to the export control lists derived from the Multilateral Export Control Regimes (The Nuclear Suppliers Group, The Missile Technology Control Regime, The Australia Group and The Wassenaar Arrangement).

We expect to be able to share information on these updates to our control lists with the Committee around mid-March.

Future consultation on targeting of end uses and end-users of concern will build on both these key areas of work, as well as further engagement with international partners. We look forward to briefing the Committee on these areas as we progress next steps in these important areas for both our national and global security and UK growth.

5. Office of Trade Sanctions Implementation (OTSI)

The UK has introduced sanctions on an unprecedented scale following Russia's illegal invasion of Ukraine two years ago. To maximise the impact of these sanctions, it is vital that we make our sanctions processes as robust as possible.

The recently announced Office of Trade Sanctions Implementation (OTSI) will play a key part in supporting businesses to comply with trade sanctions and enforcing sanctions breaches once it is established later this year.

There is already a significant amount of successful collaboration across teams in DBT to deliver an effective sanction licensing regime, including with both ECJU and ILB as well as other policy and sector experts both in DBT and in other Government Departments. As we establish OTSI within DBT, there is a clear rationale for bringing some of the sanctions licensing process together with sanctions compliance and enforcement functions in OTSI and we are exploring the most appropriate solutions for doing this. This may involve, for example, some processes and functions currently conducted by staff in ECJU moving to OTSI in the future, but close collaboration between these teams within DBT will continue to be required, as it is now. Regardless, our key objective is to develop an efficient, effective and coherent sanctions licensing regime that is easy for businesses to understand and navigate.

For the time being, businesses and stakeholders will continue to engage with their usual contacts in DBT for sanctions licences, including ECJU and the Import Controls team. Any changes to this arrangement will be communicated clearly and with a reasonable notice period to enable exporters to understand how to comply.

Within DBT, OTSI will work very closely with ECJU, ILB and other interested teams to ensure a joined-up and strategic approach to sanctions policy and implementation across the department.

The creation of OTSI will strengthen Government's capacity to support businesses to comply with sanctions and take enforcement action where breaches are found. OTSI will work in close partnership with HMRC to enforce trade sanctions, as HMRC will continue to be responsible for the enforcement of goods crossing the UK border in line with its role as the UK's Customs Authority. HMRC will also remain responsible for the criminal enforcement of trade sanctions which will be complemented by OTSI's new civil enforcement powers for trade sanctions.

OTSI also work closely with:

- the Office for Financial Sanctions Implementation (OFSI) in HM Treasury, which is responsible for financial sanctions;
- the Department for Transport, which is responsible for transport sanctions;
- the Home Office, which is responsible for immigration sanctions; and
- the Foreign Commonwealth and Development Office, which is responsible for overall foreign policy on the use of sanctions.

We are currently developing the civil enforcement framework for OTSI and expect an SI to be laid in the first half of this year.

I hope this information has been useful to you and your members. We look forward to our future engagement with your Committee.

Yours sincerely,

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