



U.S. DEPARTMENT *of* STATE

Media Note

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Settlement of Raytheon Export Control Violation Case

On February 27, 2003, the U.S. Department of State, the U.S. Customs Service and the U.S. Attorney's Office for the District of Massachusetts signed a settlement agreement with Raytheon Company, dismissing a civil complaint against Raytheon for violations of U.S. export control laws. The complaint, which had been filed on February 27 in U.S. Federal Court in Boston, charged Raytheon with committing fraud against the Customs Service and the State Department in a scheme to export military communications equipment to Pakistan from 1990 to 1997 without a license to do so from the State Department. Export of the equipment in question is controlled by the State Department under the Arms Export Control Act and the International Traffic in Arms Regulations (ITAR).

Raytheon originally submitted an application to export these items to Pakistan in 1993; however, that application was denied by the State Department's Directorate of Defense Trade Controls as exports of military equipment to Pakistan were prohibited at that time due to sanctions under the Pressler Amendment. As detailed in the settlement agreement, Raytheon subsequently made arrangements to assemble and sell essentially the same military communications equipment to Pakistan through its Canadian subsidiary. This was a misuse of the Canadian exemption to the International Traffic in Arms Regulations (ITAR) that permits, under certain circumstances, the export of defense articles and services controlled under the ITAR through the U.S. Munitions List to Canada without an export license.

Under the terms of the settlement, Raytheon will pay a \$25 million civil penalty. \$20 million of this penalty will go to the U.S. Customs Service in lieu of forfeiture claims and \$3 million will go to settle the administrative charges levied by the Department of State. The remaining \$2 million must be used by Raytheon for remedial compliance measures. The settlement also requires the appointment of a Special Compliance Official to oversee Raytheon's military communications business and its export control practices generally.

The draft charging letter and the settlement agreement will be available to the public in the State Department Reading Room (515 22d Street NW) next week.

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