

End-Use Monitoring – Transshipment

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Analysis



Bureau of Industry and Security
U.S. Department of Commerce



END-USE MONITORING ***Case study***

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U.S. Embassy - Singapore



Region Overview

- ❑ Singapore – Country Group B
 - #1 transshipment port in the world.
 - World Bank Report “Doing Business 2011” cited Singapore as the world’s easiest place to do business.
- ❑ Malaysia – Country Group B
 - Conveniently located along the Malacca Straits.
 - Services and manufacturing account for 85% of GDP.
- ❑ Indonesia – Country Group B
 - Southeast Asia’s largest economy.
 - Large telecommunications, transportation, oil and gas sectors.



U.S. Commercial Service Collaboration

- ❑ Export Control Officer/Commercial Officer
- ❑ National Export Initiative
- ❑ Commercial Fraud Issues



Who I Work With

- ☐ U.S. State Department, Economic Section
- ☐ U.S. Department of Homeland Security (ICE/CBP)
- ☐ Federal Bureau of Investigation
- ☐ Defense Attaché Office / Security Assistance Program
- ☐ Singapore Customs
- ☐ Singapore Police Force
- ☐ Malaysian Ministry of International Trade and Industry
- ☐ Indonesian National Police and Customs

The “Network of Nonproliferators”



Types of Items Checked

- ☐ Laboratory Instruments
- ☐ Aircraft parts & components
- ☐ Satellite components
- ☐ Specialty valves and fittings for handling of corrosives
- ☐ Safety/Security equipment
- ☐ Biological Agents

...all in a day's work.



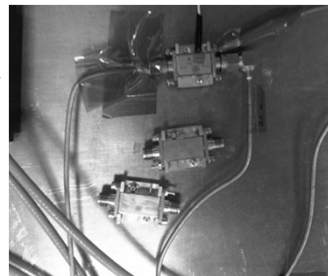
Types of Locations Visited

- ☐ Logistics companies
- ☐ Warehouses
- ☐ Science parks/Universities
- ☐ Factories
- ☐ Semiconductor fabrication facilities
- ☐ Vessels at Pierside/Drydock
- ☐ Airport maintenance hangars



Unfavorable NLR PSV Case Study

- ☐ Company said to be the ultimate end-user located in Kuala Lumpur.
- ☐ Claims to be a manufacturer of communications gear.
- ☐ Company has no web presence.
- ☐ Upon arrival at location, no signs or directory entries for the company – recommended as unfavorable EUC.



Unfavorable PSV Case Study – Cont’d.

- ☐ Conducted follow-up EUC based on a detention by U.S. Customs and Border Protection (CBP).
- ☐ A representative answered the door this time.
 - Claims to produce microwave equipment from a 400 sq. ft. office without a workshop.
 - When asked “how?” – Subject claimed to use a facility across town.



Unfavorable PSV Case Study “Catch-22”

- ☐ Visited the company across town.
 - Representative answered the door.
 - Claims to manufacture medical devices.
 - Small manufacturing area visible from main office.
 - “Never heard of” the company claiming to use their facility to produce microwave equipment.
 - Business card has a Tehran address.
 - Representative states most of his end-users are located in Iran.



Lessons Learned

- ☐ Know your customer.
 - If the company is not on the net, find out why.
 - Make sure you know any subcontractors.
 - If in doubt, don't send it out.
- ☐ End-use Check prevented further potential transshipments.
 - Without actually visiting, we'd have never known.
 - License exceptions pose a great risk of diversion which can be mitigated by due diligence.



Useful Online Resources

- ☐ Singapore Country Commercial Guide
 - http://www.buyusainfo.net/docs/x_7292247.pdf
- ☐ Singapore Customs
 - www.customs.gov.sg
- ☐ Ministry of International Trade & Industry (MITI)
 - <http://www.miti.gov.my>



Thank You!

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END-USE MONITORING Case study

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U.S. Embassy - Abu Dhabi, UAE



Region Overview



- ❑ Based in the UAE but have regional responsibility for 17 countries.
- ❑ Regional trade has connections with 3 U.S. sanctioned destinations (Iran, Syria and Sudan).



UAE Trade Statistics



- Largest purchaser of U.S. Military sales in the world.
- \$16 billion in U.S. exports in 2011 (up by 36%).
- 70% of all goods received in the UAE are re-exported.
- 3rd largest re-export market for the UAE is Iran.
- Almost 1,000 U.S. companies have a presence in the UAE.
- Country Groups B & D.
- Majority of end-use checks in the UAE are based on end-use/end-user based controls.



Common commodities diverted to Prohibited Destinations



Oil Industry Related Items

Pumps, equipment control panels and fabricated piping.



Medical Equipment

Oscilloscopes, medical re-agents, micro-biology supplies and lab equipment.



Electronics

Integrated circuits, servers, computers and switches.



Aircraft Parts

Aircraft Engine and Avionics parts.



Industrial Parts/Supplies

Construction materials, hardware and machinery.



Case Study of EAR99 Diversion (Catch-all controls for Embargoed Destination)

In September 2011, a medium-sized U.S. manufacturing company is contacted via the internet by an individual from Company A in Dubai. He purchases \$8,700.00 worth of copper grids and various commodities used for electron microscope biological research.

Company A instructs the U.S. retailer to ship via FedEx Air (33 lbs. total freight) to their “sister” Company B via a third UAE Trading Company C located in the Jebel Ali Free Trade Zone.

The order is shipped a month later after payment is made via wire transfer.



Case Study of EAR99 Diversion – Cont'd

Post-Shipment Verification (PSV) conducted:

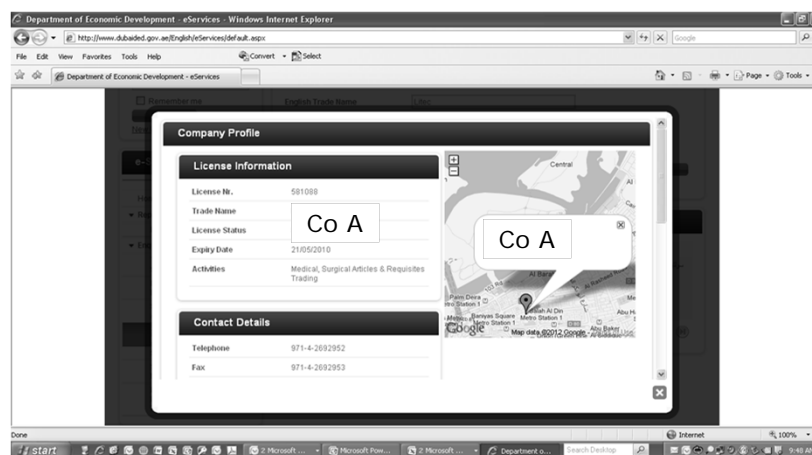
The ECO visits Company C who advises that it is a general trader dealing in Shampoo and Baby Products but received the goods for Company B. Company C provides contact details for “B.” This appears unnecessary based on the fact that the small air shipment could have been delivered direct to “B” located 25 miles away.

The ECO then contacts “B” located in the Deira section of Dubai. “B” advises it purchased the commodities for another UAE Company D and provides a delivery invoice for the commodities that reflects a 20% mark-up.

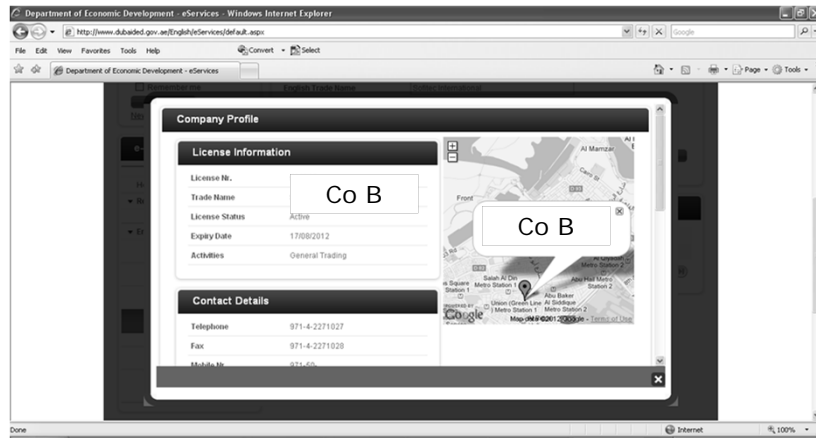
Dubai Chamber of Commerce website information shows that “D” trades in used machinery and heavy equipment but there is no business license listed on the Dubai Ministry of Economic Development website.



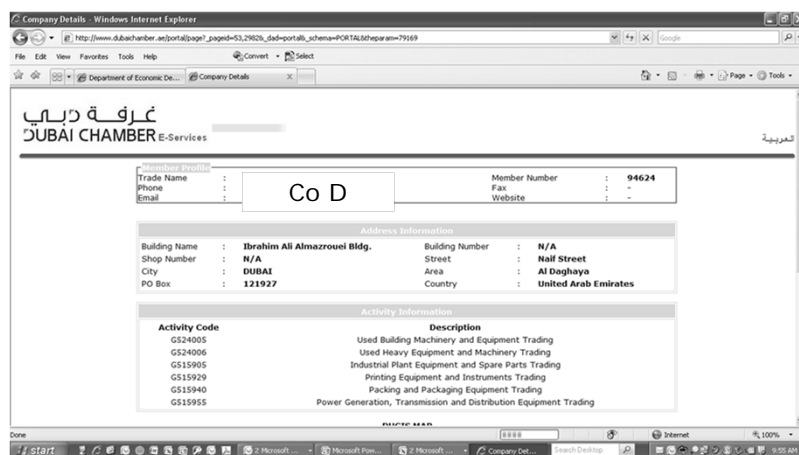
Open Source Research - Company A



Open Source Research - Company B



Open Source Research - Company D



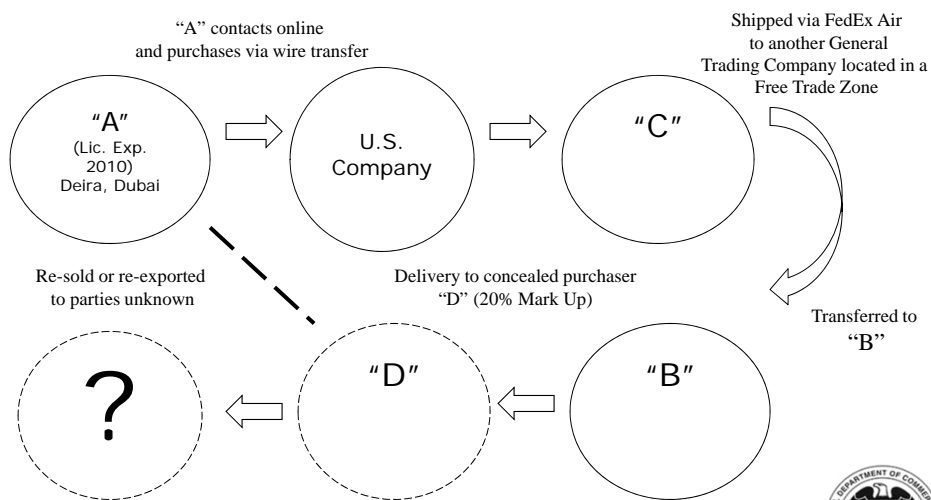
Case Study of EAR99 Diversion – Cont’d.

The ECO contacts “D” who denies the purchase. The ECO then sends “D” a copy of the delivery note from “B.” “D” finally acknowledges the purchase and states the end-use is “to filter diesel fuel in heavy equipment.” The ECO requests to meet in person with “D” who declines.

The ECO then contacts the U.S. manufacturer and asks if this is a plausible end-use. The U.S. company states that this material is for micro-biological research in a laboratory. (The invoice clearly states: “for laboratory research only.”)



Case Study of EAR99 Diversion - Summary



Lessons Learned

- ☐ Clarify the final end-user for your product and ask questions.
- ☐ Pay attention to the 4 “Red Flag” indicators in this transaction (see next slide).
- ☐ Use online research tools to check out who you are dealing with.



“Red Flag” Indicators for the UAE

- ✓ Multiple trading companies involved in a transaction.
- ✓ Inconsistent commodity for the trading company and/or the end-user (e.g., micro research for heavy equipment company).
- ✓ Small trading companies listed as ultimate end-user for expensive and or technically advanced commodities.
- ✓ UAE trading companies purchasing for end-users located outside of the UAE (e.g., oil company in Qatar).
- ✓ Generic (open source) contact details listed on End-Use Statements.
- ✓ Pay attention to “at risk” locations within Dubai (Deira, Bur Dubai, Naif Area).



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U.S. Department of Commerce



END-USE MONITORING Case study

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U.S. Commercial Service
U.S. Consulate General - Hong Kong & Macau



Region Overview

Hong Kong

- ☐ Treated as a separate country under U.S. law.
- ☐ Transshipment hub.
- ☐ Low taxes, mostly tariff-free, no foreign exchange limits, business friendly culture.

Region

- ☐ Country Group A:1 / Cooperating Country (Japan/South Korea).
- ☐ Country Group B (Taiwan/Philippines).
- ☐ High level of high-tech manufacturing.

U.S. Commercial Service Collaboration



- ☐ Export Control Officer / Commercial Officer
- ☐ National Export Initiative
- ☐ Intellectual Property Issues



Who I Work With

- ☐ U.S. State Department, Economic Section
- ☐ U.S. Department of Homeland Security (ICE/CBP)
- ☐ Hong Kong's Trade and Industry Department
- ☐ Hong Kong Customs



Types of End-Use Checks

- ☐ National Security controls
- ☐ Manufacturing or R&D
- ☐ Aircraft parts and components
- ☐ Explosives detection



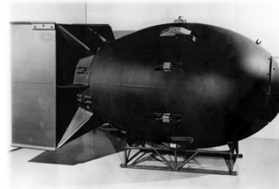
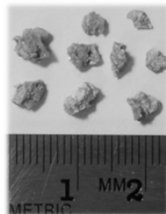
Types of Locations Visited

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- ☐ Science Parks / Universities
- ☐ Factories



Unfavorable PSV Case Study

Post-Shipment Verification on Licensed Item:
Triggered Spark Gaps controlled for Nuclear
Nonproliferation under ECCN 3A228



Unfavorable PSV Case Study – Cont'd.

- ☐ Distributor sells medical equipment and provides maintenance.
- ☐ Company states that triggered spark gaps are for maintenance on equipment used at six different hospitals.
- ☐ License only has two hospitals as authorized end-users.
- ☐ Company states that it did not realize it had to tell the U.S. exporter about all six end-users.



Lessons Learned

- ☐ End-use checks can identify willful diversion or inadvertent violations.
- ☐ End-use checks are a chance for education for parties to a transaction.
- ☐ Export license applicants must know their customers.
- ☐ Exercise due diligence.



Useful Online Resources

- ❑ Hong Kong Trade and Industry Department
<http://www.tid.gov.hk/eindex.html>
- ❑ Hong Kong Customs
http://www.customs.gov.hk/en/trade_controls/control/index.html
- ❑ Hong Kong Export Control Ordinance/Regulations (Chapter 60) <http://www.legislation.gov.hk/eng/home.htm>
- ❑ Hong Kong Census and Statistics Department
<http://www.censtad.govH.hk/hkstat/srh/index.jsp>
- ❑ Exporter resources (Country Commercial Guides)
<http://www.export.gov>



多謝
Thank You!

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