



UPDATE 2016

Singapore and Beyond

Diversion and Other Transshipment Issues



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Conference on Export Controls and Policy



Singapore – The Lion City

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- Arrived at post in November 2015
- Regional coverage includes:
 - Singapore, the number one transshipment port in the world.
 - Malaysia, its industry and services sector account for about 88% of GDP.
 - Indonesia, SEA's largest economy (16th in the world).
- Partnerships with both government & industry in the region.
 - Host nation export control and customs services
 - Companies, compliance practitioners and industry associations



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Regional Overview

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Singapore	A:6, B
Malaysia	B
Indonesia	B
Vietnam	D:1,3,5
Australia	A:1-5, B



Country Groups: Supplement No. 1 to EAR Part 740

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Strategic Trade Controls in the Region

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- Singapore
 - The Strategic Goods Control Act (SGCA) administered by Singapore Customs.
 - <https://www.customs.gov.sg/businesses/strategic-goods-control/overview>
- Malaysia
 - Strategic Trade Act 2010
 - Closely follows EU control list of 2010
 - Ministry of International Trade and Industry (MITI)/Strategic Trade Secretariat (STS)
 - <http://www.miti.gov.my/index.php/pages/view/sta>
 - Royal Malaysian Customs
 - http://www.customs.gov.my/en/faq/Pages/faq_sta.aspx
- Australia
 - Customs Act 1901
 - Defense and Strategic Goods List
 - <http://www.defence.gov.au/ExportControls/DSGL.asp>

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Strategic Trade Controls in the Region, Part 2 UPDATE 2016

- Indonesia
 - Not at this time

- Vietnam
 - Not at this time



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Trends in Diversion Schemes UPDATE 2016

- False contracts and/or documents
 - “photo shopped”, hand written, internet email accounts
- Freight Forwarder as the ship to AND end user
 - FTZs very important in the region
 - Why is the forwarder the end user?
 - Couple of common indicators for FTZ:
 - Cargo
 - Airport
 - KLIA
 - Changi
 - Industrial Zone
 - KLAS Cargo



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Case Study #1

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- ECCN 9A610 F-5 engine part sent from the U.S. to a 3rd party logistics company NOT in the country of ultimate destination.
- PSV requested to verify shipment.
- Logistics company listed as end user did not have a physical office.
 - Rented space from a 'friend'.
 - Used this 'friend' to help with payment of shipping because he didn't have an account.
- Stated the foreign consignee/purchaser physically picked up the part and put in the trunk of his vehicle.
 - Could not provide any delivery or signed documents from the purchaser.
 - Stated was unaware of this being a military part.
 - Was unaware of local Strategic Trade Act.
- Logistics company determined to be an unreliable recipient of U.S.-origin goods and technology.



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Case Study #2

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- Pre-License Check (PLC) on ECCN 3A001.b.3 (no applicable license exemptions available).
- US company received BIS711 stating end use/end user
 - Also on the BIS license application
 - No indication on the 711 the items were being resold to 3rd party.
- During the PLC, the company admitted it was not the end-user – their client was the end user and it was a government research project.
- Company also admitted it had no compliance program and did not have any understanding of export control or other related laws, either U.S. or in the region.
- Company was asked to provide information to validate their client.
- Company later terminated the license application stating the client would source the parts locally.



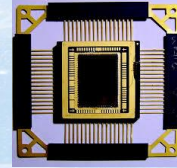
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Case Study #3

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- Pre-License Check (PLC) on ECCN 9A515 radiation hardened micro-electronics.
 - For building and testing prototypes for down hole testing in the oil & gas sector.
 - Company previously subject to both PSV and State end-use check.
 - Neither previous check listed as favorable.
 - As part of the license application, an End User Statement and a BIS-711 were provided.
 - It stated that the Ultimate End User was in a 3rd country
- Local company is co-located with a beverage and snack food distribution company
- During PLC meeting, company provided redacted documents.
 - The redacted parts were important to the PLC.
 - It was determined that the listed end user in the 3rd country did not actually exist under the supplied name but under a completely different name.
- Only items being purchased were radiation hardened.
- Company is now on the Unverified List (UVL).



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Lessons Learned & Best Practices

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- Due Diligence
 - Find out who the actual end user is of your product.
 - Know where the actual end user is located.
 - Check the company on-line – it's really the best investigative tool out there!!!
 - Secretarial Firm?
 - Short-term rental office space?
 - **Potential Red Flag!!!**
 - Where are you shipping to?
 - Freight Forwarder
 - End User

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MROs

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Maintenance, Repair and Overhaul

- Most Air Forces in the Region use MROs almost exclusively for engine and avionics.
- Very big business in region.
 - May be located in one country, but doing work in another.
 - Generally have their own staff.
 - If they sub contract, make sure you know with whom.
- Check country of origin on the aircraft.

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Thank You!

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