




## *Transshipment Concerns and Sanctions*



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## Moscow Region Overview

Country Group	Country Group
<ul style="list-style-type: none"> <li>• Azerbaijan D:1,3</li> <li>• Belarus A:4, D:1,3,5</li> <li>• Estonia A:1,3-5, B</li> <li>• Finland A:1-5, B</li> <li>• Georgia D:1,3</li> <li>• Kazakhstan A:4, D:1,3</li> <li>• Kyrgyzstan D:1,3</li> <li>• Latvia A:1,3-5, B</li> </ul>	<ul style="list-style-type: none"> <li>• Lithuania A:1,3-5, B</li> <li>• Moldova D:1,3</li> <li>• Poland A:1-5, B</li> <li>• Russia A:2,4, D:1,3</li> <li>• Serbia A:4, B</li> <li>• Tajikistan D:1,3</li> <li>• Turkmenistan D:1,3</li> <li>• Ukraine A:2-4, D:1</li> <li>• Uzbekistan D:1,3</li> </ul>

Country Groups: Supplement No. 1 to EAR Part 740

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## Frankfurt ECO Region

Country Group	Country Group
• Belarus	A:4,D:1,3,5
• Czech Republic	A:1-5, B
• Estonia	A:1,3-5, B
• Finland	A:1-5, B
• Germany	A:1-5, B
• Hungary	A:1-5, B
• Latvia	A:1,3-5, B
• Lithuania	A:1,3-5, B
• Moldova	D:1,3
• Poland	A:1-5, B
• Romania	A:1,3-5, B
• Russia	A:2,4, D:1,3
• Serbia	A:4, B
• Slovakia	A:1,3-5, B
• Ukraine	A:2-4, D:1

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3




## End-Use Verification in Russia

- October 3, 2014: Putin signed Decree No. 653, an amendment to the list of information regarded as a state secret, stating “Information on the Russian export or import of dual-purpose products is classified a ***Russian State Secret.***”

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4




## Results of U.S. Government Sanctions

- Russian companies are having a difficult time paying for items.
- Purchasing power of Russian entities is less because of the fall of the ruble.
- Some U.S. exporters are declining to conduct legitimate trade with Russia directly or indirectly because they don't want to be seen doing business with Russia.
- Companies are paying closer attention to proscribed lists, who is on them, and why.
- **Russian sponsored diversion more prevalent and becoming more creative.**
  - Denials in licenses forcing Russian military end users to use more sophisticated diversion tactics.

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## Trends of Diversion to Russia

- Increased trend in sensitive products exported to the European Union under an approved license, license exception, or NLR are being reexported to Russia in non-compliance with EAR.
- Greatest concern is ethnic Russian-owned logistics companies located in third party countries.
- Methods:
  - Using these logistics companies as mailboxes.
  - Using multiple unwitting logistics companies to circumvent export laws.
  - Masking transactions across multiple countries, buyer in one country, shipper in a separate, resold to buyer in third country, shipped to fourth country.
  - Falsifying export documentation (T1s and EDs).

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6

## Case Study 1: Circumvention of Intent

- Company in Switzerland (shell company) purchases several microwave monolithic integrated circuits (MMICs) (**Wassenaar controlled**) from U.S. exporter.
- U.S. Exporter ships MMICs (ECCN: 3A001) to logistics company as ultimate consignee in Lithuania using NLR to the European Union.
- Suspected shell company in Hong Kong purchases items from shell company in Switzerland, instructs logistics company in Lithuania to re-export the commodities to Belarus. (**Violation**)
- **Red Flags** Identified During the End-Use Check:
  - **Logistics company did not have any contact information for the company in Switzerland, but states they have a written trade agreement. Would not provide agreement.**
  - **No contact information for entities in Hong Kong.**
  - **New end user in Belarus listed as “Private Entrepreneur”.**



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## Case Study 2: Misdirection

- Electronic components were exported using NLR to Finland to an ethnic Russian logistics company (Logistics Company A) listed on the export documentation.
- Shipment arrives at Helsinki Airport.
- Logistics Company A hires Logistics Company B, which is on the BIS Entity List, to pick up commodities from the airport and transport them to Logistic Company B’s warehouse, also on the BIS Entity List.
- Logistics Company B hires a **likely unwitting** Logistics Company C to pick the commodities up, transport them to Tampere have them repackaged, then sent to Lappeenranta to a warehouse. (**Suspected Finnish Customs Violation – Customs Tax**)
- Logistics Company D, from Russia, picks the commodities up in Finland and ground transports them into Russia.

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## Conducting Due Diligence

- Ensure legitimacy of POC phone numbers. Did you call them?
- Is it a Russian phone number for an end user in a European Union (EU) member country?
- Why does the EU company have a '.ru' email address?
- Does the person even work for the company listed as the end user?
- Are you utilizing publicly available databases?
- Is the company a member of a reputable foreign association?
- Have you conducted online research for new customers?
- **Print off and save for your records the information regarding your due diligence check list!**

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## Best Practices for Russia

- Obtain and validate points of contact.
- Know your end user, end use, and logistics company before you ship.
  - Specifically evaluate military end use and military end user.
  - Critical for use of CIV or ECCNs subject to Part 744.17 and 21.
- Pass license conditions or export responsibilities to responsible parties through the complete chain.
- Complete export documentation correctly and accurately.
  - *Freight Forwarders are NOT Ultimate Consignees*
- Use validated logistics companies such as those who are members of Freight Forwarder Associations.
- Consistent Consolidated Screening List review: [www.export.gov/ecr](http://www.export.gov/ecr)
- Don't ship a controlled item to the EU using NLR or a License Exception when the phone number starts with +7 and the email address is '.ru', without conducting due diligence.

**When in doubt about an end use/user, reach out to EE for assistance!**



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