

BIS UPDATE 2017 CONFERENCE ON EXPORT CONTROLS AND POLICY



Singapore and Beyond

Diversion and Other Transshipment Issues

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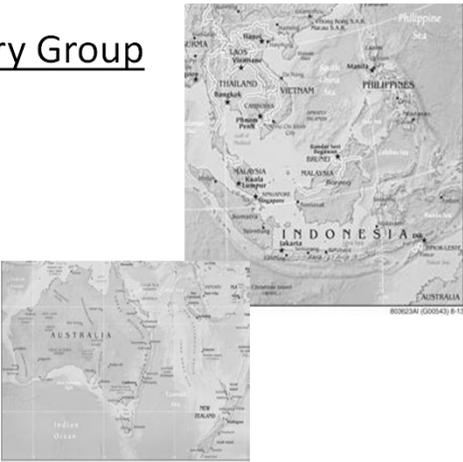


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Regional Overview

	<u>Country Group</u>
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

- 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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Trends in Diversion Schemes

- 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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Singapore PSV The Post Shipment Verification

- Singapore company reluctant to meet; asked to change the PSV twice.
- Time from initial contact until PSV 30 days.
- Company tried to change the PSV one last time the day of the meeting.



Singapore PSV The Shipments

- Two different shipments of 3A001 micro electronics under license exception GBS.
- U.S. Company told end user was Hong Kong Trading Company, but shipping documents show Singapore company as end user.



Singapore PSV

The Post Shipment Verification

- The ECO and Singapore Customs meet with 6 company officials...
 - Note – The company has only 15 employees

Company owner nervous about meeting

- Admitted provided false information to their U.S. supplier.
- Admitted falsifying a BIS 711 on one of the shipments and never providing the actual end user on the other.



Singapore PSV

Outcome – Lessons Learned

- Singapore company purchased these 3A001 parts knowing they were being re-exported to China.
- Provided either false or misleading information to the U.S. company.
- Received correct information from HK trading company.
- U.S. company knew shipping to Singapore distributor and then through HK trading company.
 - Never verified who or where.



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Malaysia – Indonesia PSV

The Shipment

- ECCN 9A610 – Engine part for F-5
 - BIS License for purchase by Indonesia company, shipped through Malaysia.
 - End User listed in Indonesia.
- Original PSV done on freight company at Kuala Lumpur Airport.
 - End user allegedly picked up part, loaded it into the trunk of his car and drove off.
- PSV conducted on Indonesia purchasing company.



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Malaysia – Indonesia PSV

The PSV

- BIS contacts Indonesian company.
- Owner states he is the only employee.
- Agrees to meet with ECO.
- Email and telephone communication between BIS and owner confirms meeting and address.
- On the date agreed upon, ECO arrives at identified address...



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Malaysia – Indonesia PSV The PSV

- Office supposed to be located on the 3rd floor.
- From the outside, the building's 3rd floor has no finished windows or walls...
- ECO talks to two guys in the lobby...again, no door or windows.
- They have never heard of the company.

- ECO calls the owner to verify the address...
Owner doesn't answer.



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Malaysia – Indonesia PSV The PSV

- CA contacts owner to verify address
- Owner states his company is out of business and is filing for bankruptcy
– He doesn't feel right meeting with ECO...

- ECO attempted to email and call the owner several times afterwards and never received any answers



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Malaysia – Indonesia PSV Lessons Learned

- A freight forwarder in a 3rd country listed as part of the transaction.
- Follow-up with Malaysian forwarder found even more conflicting information.
- For 600 series items, ask for the End-Use Statement from the respective military/police unit.



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Lessons Learned & Best Practices

- 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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Thank You!

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