

**BIS UPDATE 2017** CONFERENCE ON EXPORT CONTROLS AND POLICY



## *Transshipment in the Middle East Region*

Adam Roth  
Regional Export Control Officer  
U.S. Commercial Service  
American Consulate General Dubai



U.S. DEPARTMENT OF COMMERCE • BUREAU OF INDUSTRY AND SECURITY

**BIS UPDATE 2017** CONFERENCE ON EXPORT CONTROLS AND POLICY

## Regional Overview



- Based in Dubai, UAE with regional responsibility for 15 countries.
- Regional trade has connections with three U.S.-sanctioned countries (Iran, Syria, and Sudan).



U.S. DEPARTMENT OF COMMERCE • BUREAU OF INDUSTRY AND SECURITY

**BIS UPDATE 2017** CONFERENCE ON EXPORT CONTROLS AND POLICY

## Regional Overview

### Country Groups

<ul style="list-style-type: none"> <li>• Bahrain B, D:3-4</li> <li>• Jordan B, D:3-4</li> <li>• Kuwait B, D:3-4</li> <li>• Turkey A:1-5, B</li> <li>• Cyprus A:3-4, B,D:5</li> <li>• Egypt B, D:3-4</li> <li>• Iraq D:1-5</li> <li>• Israel A:6, B,D:2-4</li> </ul>	<ul style="list-style-type: none"> <li>• Lebanon B, D: 3-5</li> <li>• Malta A:3,4,6, B</li> <li>• Oman B, D: 3-4</li> <li>• Qatar B, D: 3-4</li> <li>• Saudi Arabia B, D: 3-4</li> <li>• Syria D: 3-5, E:1</li> <li>• UAE B, D: 3-4</li> <li>• Yemen B, D: 3-4</li> </ul>
---	---

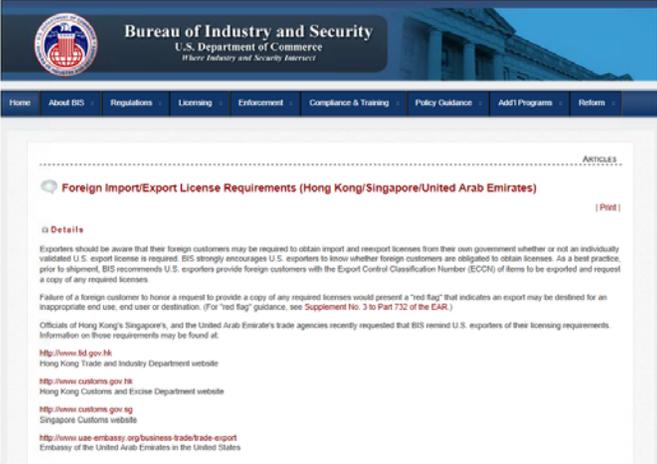



U.S. DEPARTMENT OF COMMERCE • BUREAU OF INDUSTRY AND SECURITY

3

**BIS UPDATE 2017** CONFERENCE ON EXPORT CONTROLS AND POLICY

## Import/Export Requirements



Foreign Import/Export License Requirements (Hong Kong/Singapore/United Arab Emirates) [Print]

**Details**

Exporters should be aware that their foreign customers may be required to obtain import and reexport licenses from their own government whether or not an individually validated U.S. export license is required. BIS strongly encourages U.S. exporters to know whether foreign customers are obligated to obtain licenses. As a best practice, prior to shipment, BIS recommends U.S. exporters provide foreign customers with the Export Control Classification Number (ECCN) of items to be exported and request a copy of any required licenses.

Failure of a foreign customer to honor a request to provide a copy of any required licenses would present a "red flag" that indicates an export may be destined for an inappropriate end use, end user or destination. (For "red flag" guidance, see [Supplement No. 3 to Part 732 of the EAR](#).)

Officials of Hong Kong's, Singapore's, and the United Arab Emirates' trade agencies recently requested that BIS remind U.S. exporters of their licensing requirements. Information on those requirements may be found at:

<http://www.hk.gov.hk>  
Hong Kong Trade and Industry Department website

<http://www.customs.gov.hk>  
Hong Kong Customs and Excise Department website

<http://www.customs.gov.sg>  
Singapore Customs website

<http://www.uae-embassy.org/business/trade/export>  
Embassy of the United Arab Emirates in the United States




U.S. DEPARTMENT OF COMMERCE • BUREAU OF INDUSTRY AND SECURITY

4

# Case Study #1



## The Export

- In April 2017, a U.S. company shipped a Meggitt Avionics Integrated Secondary Flight Display Unit to Company A International Trading in Dubai.
- The unit has both civilian/military applications.
- ECCN 7A994.
- Valued at over \$38,000

**Applications**

Commercial: Transport, Fixed Wing, Rotary Wing

Military: Transport, Fixed/variable wing, Rotary wing

**Key customers**  
AgustaWestland Helicopters, HondaJet, Bombardier Learjet, Hawker Beechcraft business jets, Boeing Apache

**Specification**

Size: 3.471 x 8 inches (204mm) long

# Case Study #1 (cont'd)

- Manager says her brother owns the company but is currently in their home country of Iran.
- She says their primary business is transporting frozen poultry from the U.S. and Europe to Tajikistan and Turkmenistan.
- The ECO asks why a frozen poultry company would need a military avionics unit.

## Case Study #1 (cont'd)

- She claims they would have no use for this product and does not know why it was delivered to their address.
- The ECO points out that her company paid over \$1800 in import duties when it was delivered.
- She states that her receptionist authorized this payment and had she been at the office she would not have accepted the package.
- She says she will notify the ECO if and when somebody contacts them regarding the package.



## Case Study #1 (cont'd)

- Approximately one month later the ECO returns to the company and meets with the manager. She says her brother is still in Iran.
- The ECO asks about the avionics part and she says it remains unclaimed in her office.
- She welcomes the ECO to inspect the package.
- The ECO notices that the packaging appears to have been opened.
- The ECO notates the serial number and when compared to the shipping paperwork it appears to be a different unit.
- The manager maintains that the unit has never left their office.
- The U.S. company confirms that this is not the unit that they shipped.



## Case Study #1 (cont'd)

- The ECO is notified by Company A that a customer has come forward for the avionics unit and has provided a letter claiming they will not re-export the product to embargoed countries.
- The ECO reaches out to this new consignee and requests a meeting regarding this shipment.



## Case Study #1 (cont'd)

- The new company admits that they were asked to write the letter but in reality they were not involved with the transaction.
- They admit that the part was for a customer in Iran.



## Recommendations

- Although it appears the U.S. company screened the customers in export control software, certain red flags were apparent.
- What does a frozen poultry/part-time freight forwarder need a \$38,000 avionics part for?
- If they are acting as a freight forwarder, who is the ultimate end user? What model aircraft will this be installed in?
- How was payment made? Where was the money wired from?



## Red Flag Indicators for the UAE

- Multiple trading companies involved in a transaction or listed as the end user.
- Commodity is inconsistent with the trading company and/or the end user's business.
- UAE trading companies purchasing for end users located outside of the UAE.
- Vague and incomplete contact details for the end user.
- Nationality of the UAE business owner and/or the end user.
- "At risk" areas within Dubai (e.g., Deira, Bur Dubai, Karama).
- No business registration in the UAE.
- Conflict Area or industry – Oil Industries in Iraq. Businesses in Mosul, Iraq as end user.



## Best Practices for the UAE

- Know the intended end user/end use of the commodity.
- Request an End-User Statement (Form BIS-711).
- Specify the ECCN and any applicable license authorization/license exception on the export documents.
- Share the license conditions with the end user and consignee.
- UAE Import License Requirements:
  - [www.uae-embassy.org/business-trade/trade-export](http://www.uae-embassy.org/business-trade/trade-export)
  - [www.fanr.gov.ae/En/RulesRegulations/Pages/Licences-Guides.aspx](http://www.fanr.gov.ae/En/RulesRegulations/Pages/Licences-Guides.aspx)
- Be wary of shipping to a general trading company/freight forwarder if listed as the end user. Freight forwarders and general traders are almost never the end user and willful blindness is not an excuse.
- Fill out shipping documents completely and be descriptive.



## Case Study #2

- The ECO conducts a PSV at Blue Net General Trading in Dubai and concludes it is unfavorable.
- Two weeks later an aircraft engine is detained on its way to Blue Net.
- A new consignee in Turkey is provided to the USPPI and the engine is shipped to Ankara, Turkey.
- A PSV is conducted in Turkey and the consignee admits to re-exporting the engine to Pedram Zanitchkhah in Iran (the same individual tied to Blue Net).



## Case Study #2 (cont'd)

- Zanitchkhah now attempts to procure small, personal aircraft parts from various companies in the U.S.
- He tells one company in the U.S. that he needs enough parts to build 50 experimental aircraft in the U.K., but the company has a warehouse in Turkey where it prefers the items be shipped.



## Turkey Trends

- Extensive focus on the UAE has forced illicit re-exporters to look to other countries.
- Turkey is more expensive than the UAE because of fewer free trade zones.
- Items sent to Turkey are seldom detained or returned.
- Turkey shares borders with Iran, Syria, and Iraq.
- Turkey views Iran as a trading partner.



## Best Practices for the Region

- Turkey
  - A transshipment hub to Syria, Iran, and Iraq.
  - ISIL members constantly transiting through Istanbul to Syria and Iraq.
- Cyprus
  - A large number of Russian-owned businesses that do business directly with Russia.
  - Cyprus is divided into two halves: Greece and Turkey. There are different controls depending on the side to which you are shipping.
- Iraq
  - An uptick in Dubai general trading companies reexporting “oil and gas” commodities to Iraq (Erbil, Basra, Baghdad).
  - Selling oil on the black market is one method of funding ISIL.
  - Know your end-user if they are located in Iraq.
  - Civilian commodities going to ISIL controlled territories (Mosul)
- Lebanon
  - Evaluate ties to Syria and terrorist-related end users.



## Useful Online Resources

- UAE Federal Authority for Nuclear Regulation:  
[www.fanr.gov.ae/En/Pages/default.aspx](http://www.fanr.gov.ae/En/Pages/default.aspx)
- Dubai Department of Economic Development:  
[www.dubaied.gov.ae/English/eServices](http://www.dubaied.gov.ae/English/eServices)
- Dubai Chamber of Commerce:  
[www.dubaichamber.ae/portal](http://www.dubaichamber.ae/portal)
- Zawya(CompanyDueDiligence/Background Check)  
[www.zawya.com](http://www.zawya.com)
- Dun and Bradstreet South Asia and Middle East  
[www.dnbsame.com](http://www.dnbsame.com)



## THANK YOU!

**Consulate General of the United States**

**P.O. Box 121777**

**Dubai, UAE**

**[Office.Dubai@trade.gov](mailto:Office.Dubai@trade.gov)**

**[www.export.gov/uae](http://www.export.gov/uae)**

**[www.bis.doc.gov](http://www.bis.doc.gov)**

- **Adam.Roth@trade.gov**

