



EIB World Trade Headlines

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Two Chinese Nationals Convicted Of Illegally Exporting Electronics Components Used in Military Radar and Electronic Warfare

BOSTON, MA --- Following a five-week trial, a federal jury in Massachusetts found two Chinese nationals, one of whom resided in the United States, guilty of illegally conspiring to violate U.S. export laws and illegally exporting electronic equipment from the United States to China. Several Chinese military entities were among those receiving the exported equipment.

The jury also convicted a Waltham, Massachusetts corporation, owned by one of the defendants, which procured the equipment from U.S. suppliers and then exported the goods to China, through Hong Kong. The exported equipment is used in electronic warfare, military radar, fire control, military guidance and control equipment, and satellite communications, including global positioning systems.

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U.S. Attorney Carmen M. Ortiz; Assistant Attorney General David Kris of the Justice Department's National Security Division; John J. McKenna, Special Agent in Charge of the U.S. Department of Commerce, Office of Export Enforcement, Boston Field Office; Matthew J. Etre, Acting Special Agent in Charge of Immigration and Customs Enforcement, Boston Field Division; Warren T. Bamford, Special Agent in Charge of the Federal Bureau of Investigation, Boston Field Office; and Leigh-Alistair Barzey, Resident Agent in Charge of Defense Criminal Investigative Service in Boston, announced that ZHEN ZHOU WU a/k/a Alex Wu, YUFENG WEI a/k/a Annie Wei, and CHITRON ELECTRONICS, INC. ("CHITRON-US"), were convicted of unlawfully exporting defense articles and Commerce controlled goods to China on numerous occasions between 2004 and 2007 and conspiring to violate U.S. export laws over a period of ten years. WU and WEI were also both convicted of filing false shipping documents with the U.S. Department of Commerce. In addition, WEI was convicted of immigration fraud for presenting a U.S. Permanent Resident Card, which she knew had been procured by making false and fraudulent statements to immigration officials, to enter the country.

"For more than 10 years, this corporation and these defendants conspired to procure U.S. military products and other controlled electronic components for use in mainland China – for military radar, military satellite communications, and military guidance systems," said U.S. Attorney Ortiz. "In doing so, these defendants violated U.S. export laws and compromised our national security. The result in this case was achieved through the exemplary investigative efforts of dedicated agents and prosecutors working with various law enforcement and other government agencies."

"Today's convictions demonstrate the importance of safeguarding America's sensitive technology against illicit foreign procurement efforts. They also serve as a warning to those who seek to covertly obtain technological materials from the U.S. in order to advance military systems of their own. I applaud the many agents, analysts and prosecutors who helped bring about this successful outcome," said David Kris, Assistant Attorney General for National Security.

Evidence presented at trial proved that the defendants illegally exported military electronic components, which are designated on the U.S.

Munitions List, to mainland China, through Hong Kong, between April 2004 and June 2006. The defense articles the defendants illegally exported are primarily used in military phased array radar, electronic warfare, military guidance systems, and military satellite communications. Since 1990 the U.S. government has maintained an arms embargo against China that prohibits the export, re-export, or re-transfer of any defense article to China.

The defendants also illegally exported Commerce controlled electronics components to China that could be used in military applications in electronic warfare, military radar, satellite communications systems and space applications. These items could make a direct and significant contribution to weapons systems and war-fighting capabilities of U.S. adversaries, and cannot be exported to China without an export license from the U.S. Department of Commerce.

WU founded and controlled CHITRON, including its headquarters in Shenzhen, China and its U.S. office located in Waltham, Massachusetts. While WU resided in China, WEI served as the manager of the U.S. office. Using CHITRON, WU targeted Chinese military factories and military research institutes as customers of CHITRON, including numerous institutes of the China Electronics Technology Group Corporation ("CETC"), which is responsible for the procurement, development, and manufacture of electronics for the Chinese military. Indeed, WU referred to Chinese military entities as CHITRON's major customer since as early as 2002. WU hired an engineer at CHITRON's Shenzhen office to work with Chinese military customers. By 2007, 25% of CHITRON's sales were to Chinese military entities.

Correspondence between WU, WEI and other CHITRON employees showed knowledge that U.S. export restricted parts were being shipped overseas to Chinese customers without having first obtained an export license. WU instructed WEI and employees of CHITRON-US on numerous occasions to never tell U.S. companies that parts were going overseas. At WU and WEI's direction, U.S. companies were told to ship all ordered products to the CHITRON-US office located in Waltham, Massachusetts.

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Upon receipt by CHITRON-US of the ordered products, the U.S. commodities were inspected by CHITRON-US employees and consolidated into packages, which were then exported to CHITRON's Shenzhen office (located in Mainland China) using freight forwarders in Hong Kong, without the required export licenses from the Department of State and Department of Commerce.

"Today's convictions represent an outstanding collaborative investigation and prosecution to bring to justice those who flout our export control laws and endanger our national security," said John McKenna, Special Agent in Charge of the Commerce Department's Boston Office of Export Enforcement. "Preventing dangerous U.S.-origin items from falling into the wrong hands is one of our top priorities at the Commerce Department," he said.

"Today's verdicts underscore the importance of ICE's global investigative efforts aimed at disrupting and dismantling criminal organizations that profit from the illegal exportation of sensitive U.S. technology that threatens our national security," said Matthew J. Etre, Acting Special Agent in Charge of ICE's Office of Investigations in Boston.

Warren Bamford, Special Agent in Charge of FBI's Boston Field Office said, "This was a significant verdict in a joint investigation with ICE, Commerce, DCIS, and the U.S. Attorney's Office. The illegal export of U.S. defense technology to foreign countries is harmful to the national security of the United States. These types of violations will continue to be aggressively investigated because this conduct cannot and will not be tolerated."

"The convictions in this case are the end result of a joint investigation conducted by the Defense Criminal Investigative Service and its partner Federal law enforcement agencies," said Resident Agent In Charge Leigh-Alistair Barzey. "This investigation demonstrates the commitment DCIS has to ensuring that sensitive military equipment and technology are not illegally exported to restricted countries, which could put America's war fighters and the Nation at considerable risk." WU and WEI both face up to 20 years imprisonment to be followed by three years supervised release and a \$1 million fine. After serving their sentence, both will face deportation to China.

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BIS Issues Notice Seeking Comments on Voluntary Self-Disclosure Information Collection procedure

The Bureau of Industry and Security (BIS) is requesting comments on a proposed information collection on procedure for voluntary self-disclosure of violations of the Export Administration Regulations (EAR), and to determine if an investigation or prosecution is necessary and to reach a settlement with violators.

Comments are due by 7/23/10. FR Notice available at <http://edocket.access.gpo.gov/2010/pdf/2010-12352.pdf>

“The illegal export of U.S. defense technology to foreign countries is harmful to the national security of the United States. These types of violations will continue to be aggressively investigated because this conduct cannot and will not be tolerated.”

- Warren Bamford, Special Agent in Charge of FBI's Boston Field Office

CHITRON-US face up to a \$1 million fine for each count in the Indictment charging them with illegal export of U.S. Munitions List items and \$500,000 for each count in the Indictment charging them with illegal export of Commerce controlled electronics. Sentencing is scheduled for August 17, 2010.

The Government also indicted SHENZHEN CHITRON ELECTRONICS COMPANY LIMITED ("CHITRON-SHENZHEN"), the Chinese company owned by WU which received the U.S. electronics and delivered the parts to Chinese end-users, for these same crimes. The Court has entered a contempt order against CHITRON-SHENZHEN for refusing to appear for trial and fined the corporation \$1.9 million dollars.

Co-defendant BO LI, a/k/a Eric Lee, previously pled guilty to making false statements on shipping documents, and faces five years imprisonment to be followed by three years supervised release and a \$1 million fine. Sentencing is scheduled for July 22, 2010 in Boston.

The case was investigated by the Department of Commerce's Office of Export Enforcement, Immigration and Customs Enforcement, Federal Bureau of Investigation, and Defense Criminal Investigative Service. It is being prosecuted by Assistant U.S. Attorneys B. Stephanie Siegmann and John A. Capin of Ortiz's Anti-Terrorism and National Security Unit.

U.K. FIRM FINED \$2 MILLION AFTER PLEADING GUILTY TO ILLEGALLY EXPORTING BOEING 747 AIRCRAFT TO IRAN

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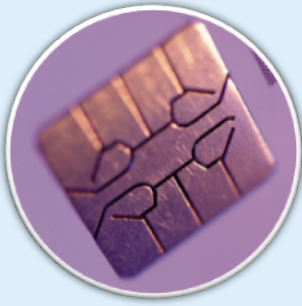
WASHINGTON --- Balli Aviation Ltd., a subsidiary of the United Kingdom-based Balli Group PLC, was sentenced today in the U.S. District Court for the District of Columbia to pay a \$2 million fine and to serve a five-year corporate period of probation after pleading guilty on Feb. 5, 2010, to a two-count criminal information in connection with its illegal export of commercial Boeing 747 aircraft from the United States to Iran.

The sentence was announced today by David Kris, Assistant Attorney General for National Security; Ronald C. Machem Jr., U.S. Attorney for the District of Columbia; David W. Mills, Commerce Assistant Secretary for Export Enforcement; and Adam J. Szubin, Director of the Department of Treasury's Office of Foreign Assets Control.

Consistent with the plea agreement, U.S. District Judge Ellen Segal Huvelle sentenced Balli Aviation Ltd. to a maximum fine of \$2 million and corporate probation for five years. **The \$2 million fine, combined with a related \$15 million civil settlement among Balli Group PLC, Balli Aviation Ltd., the U.S. Department of Commerce's Bureau of Industry and Security (BIS), and the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC), is one of the largest fines for an export violation in BIS history.**

Under the terms of the related civil settlement, Balli Group PLC and Balli Aviation Ltd. have agreed to pay a civil penalty of \$15 million, of which \$2 million will be suspended if there are no further export control violations. In addition, Balli Aviation Ltd. and Balli Group PLC are denied export privileges for five years, although this penalty will be suspended provided that neither Balli Aviation, Ltd. nor Balli Group PLC commits any export violations and pays the civil penalty. Under the terms of the settlement, Balli Group PLC and Balli Aviation, Ltd. will also have to submit the results of an independent audit of its export compliance program to BIS and OFAC for each of the next five years.

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ITA Issues Notice Seeking Comments on Export Competition for NEI Strategy

To help guide the formulation of a strategy that will support the National Export Initiative (NEI), the International Trade Administration (ITA) seeks input from private businesses and trade associations regarding foreign or domestic policies or conditions of competition that impede exports faced by exporters of the relevant goods and services. Comments are due by 7/10/10.

FR Notice

<http://edocket.access.gpo.gov/2010/pdf/2010-12982.pdf>

According to count one of the criminal information filed with the court, beginning in at least October 2007, through July 2008, Balli Aviation Ltd. conspired to export three Boeing 747 aircraft from the United States to Iran without first having obtained the required export license from BIS or authorization from OFAC, in violation of the Export Administration Regulations (EAR) and the Iranian Transactions Regulations. Specifically, the information states that Balli Aviation Ltd., through its subsidiaries, the Blue Sky Companies, purchased U.S.-origin aircraft with financing obtained from an Iranian airline and caused these aircraft to be exported to Iran without obtaining the required U.S. government licenses. Further, Balli Aviation Ltd. entered into lease arrangements that permitted the Iranian airline to use the U.S.-origin aircraft for flights in and out of Iran.

Count two of the criminal information states that Balli Aviation Ltd. violated a Temporary Denial Order (TDO) issued by BIS on March 17, 2008, that prohibited the company from conducting any transaction involving any item subject to the EAR. Starting in or about March 2008 and continuing through about August 2008, Balli Aviation Ltd. willfully violated the TDO by carrying on negotiations with others concerning buying, receiving, using, selling and delivering U.S.-origin aircraft which went to the Export Administration Regulations.

In announcing today's sentence, Assistant Attorney General Kris, U.S. Attorney Machen, Assistant Secretary Mills, and OFAC Director Szubin commended Assistant Director for Operations John Sonderman, Special Agent in Charge Rick Shimon, Special Agent Joseph Varga, and Chief Counsel Attorney Gregory Michelsen, all of the Department of Commerce's Bureau of Industry and Security. They also thanked Trial Attorney Jonathan C. Poling of the Counterespionage Section of the Justice Department's National Security Division, and Assistant U.S. Attorney Anthony Asuncion of the U.S. Attorney's Office for the District of Columbia, who prosecuted this matter.

