

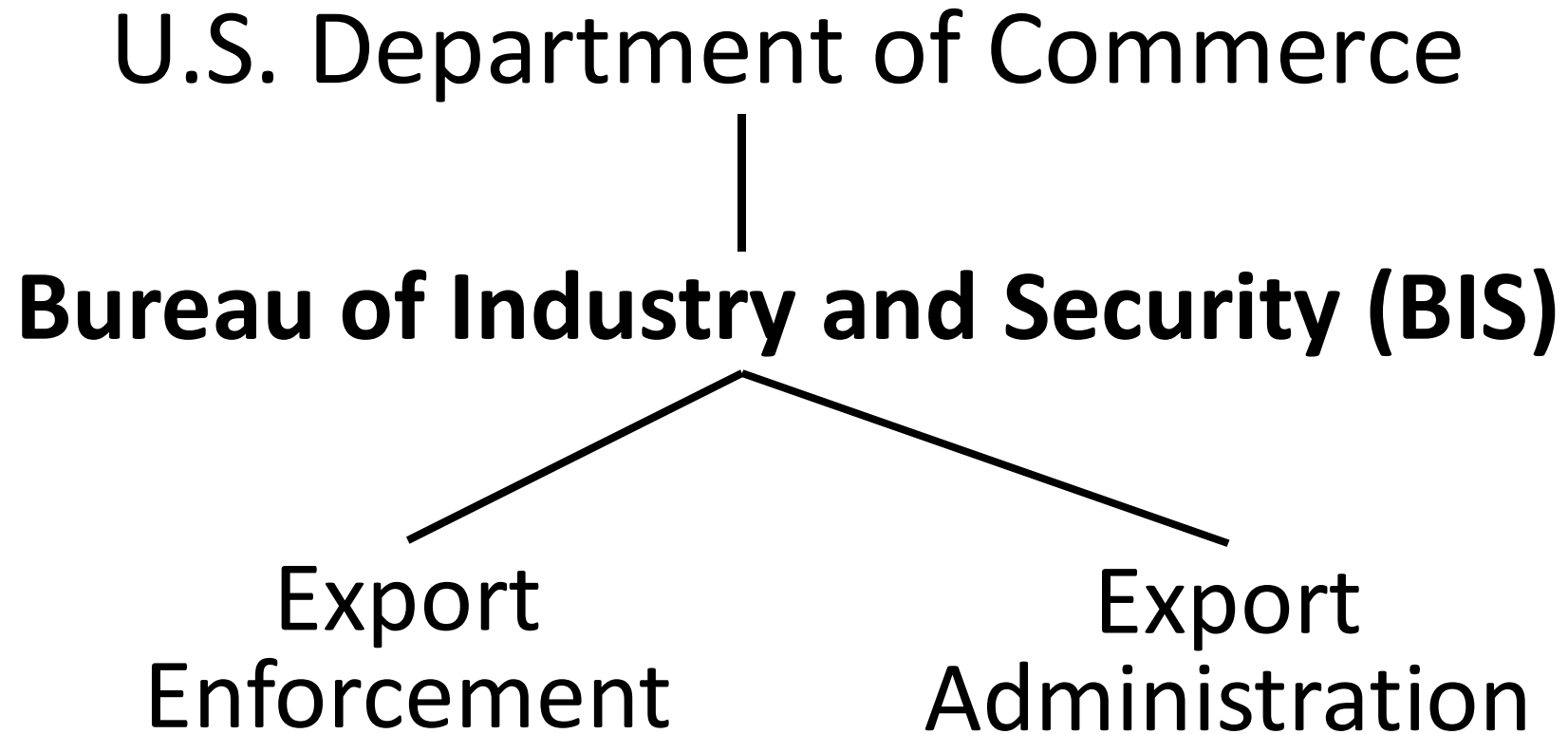
# **Proliferation Trends**

**Scott Anderson  
Regional Export Control Officer  
U.S. Department of Commerce,  
Singapore**





**Bureau of Industry and Security**  
U.S. Department of Commerce  
*Where Industry and Security Intersect*





## Bureau of Industry and Security

U.S. Department of Commerce  
*Where Industry and Security Intersect*

**BIS licenses dual-use items:** Items with both commercial and military or proliferation applications. As well as **certain military items.**

### Use of Concern

Gas centrifuge,  
Fabrication of WMD



Missile Components



Mustard Gas



Machine  
Tools

Carbon  
Fibers

Thiodiglycol

### Legitimate Use

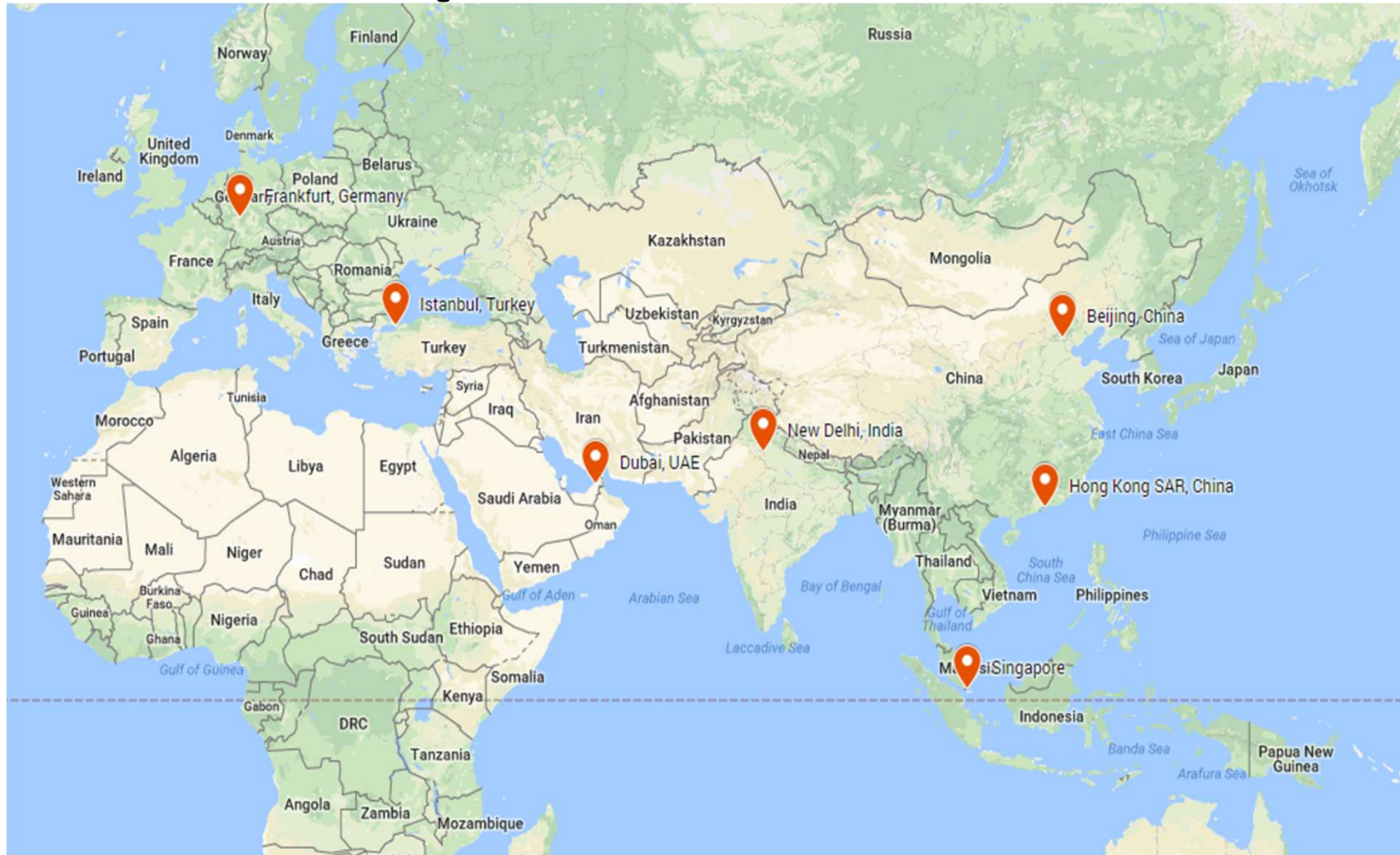
Parts & components  
of various machinery

Golf club shafts,  
Fishing rods

Plastics, Dyes, Inks



# BIS Export Control Officers



# Catch-All Controls

- Catch-All Controls may involve transactions involving any item subject to the EAR, and not just items on the CCL.
- End-Use: prohibited end uses include certain end uses related to chemical, biological, or nuclear activities or facilities
- End-User: prohibited end-users include persons and companies that . . .
  - impose a risk of diverting items into programs related to weapons of mass destruction (WMD), or
  - are contrary to national security and/or foreign policy interests.





# Trade Sanctions

- Additional license requirements if destined to Cuba, Iran, North Korea, Sudan, or Syria
- Affect most items subject to the EAR
- **United Nations Security Council Resolution 1540 (2004):** “. . . all States shall take and enforce effective measures to establish domestic controls to prevent the proliferation of nuclear, chemical, or biological weapons and their means of delivery, including by establishing appropriate controls over related materials . . . , including appropriate **laws and regulations to control export, transit, trans-shipment and re-export . . . .**”



# End-Users—Lists to Check

## ***Department of Commerce – Bureau of Industry and Security***

- **Denied Persons List** - Individuals and entities that have been denied export privileges. Any dealings with a party on this list that would violate the terms of its denial order are prohibited.
- **Unverified List** - End-users who BIS has been unable to verify in prior transactions. The presence of a party on this list in a transaction is a "Red Flag" that should be resolved before proceeding with the transaction.
- **Entity List** - Parties whose presence in a transaction can trigger a license requirement supplemental to those elsewhere in the Export Administration Regulations (EAR). The list specifies the license requirements and policy that apply to each listed party.

## ***Department of State – Bureau of International Security and Non-proliferation***

- **Nonproliferation Sanctions** - Parties that have been sanctioned under various statutes. The linked webpage is updated as appropriate, but the Federal Register is the only official and complete listing of nonproliferation sanctions determinations.

## ***Department of State – Directorate of Defense Trade Controls***

- **AECA Debarred List** – Entities and individuals prohibited from participating directly or indirectly in the export of defense articles, including technical data and defense services. Pursuant to the Arms Export Control Act (AECA) and the International Traffic in Arms Regulations (ITAR), the AECA Debarred List includes persons convicted in court of violating or conspiring to violate the AECA and subject to "statutory debarment" or persons established to have violated the AECA in an administrative proceeding and subject to "administrative debarment."

## ***Department of the Treasury – Office of Foreign Assets Control***

- **Specially Designated Nationals List** – Parties who may be prohibited from export transactions based on OFAC's regulations. The EAR require a license for exports or reexports to any party in any entry on this list that contains any of the suffixes "SDGT", "SDT", "FTO", "IRAQ2" or "NPWMD".

<https://www.export.gov/article?id=Consolidated-Screening-List>



# DIVERSION AND FRONT COMPANIES

Diversion of U.S. origin items through front companies is major challenge in transshipment hubs - including Hong Kong. There is a large infrastructure of corporate secretary firms and forwarding companies that contribute to this problem. ***(EXPORTERS BE AWARE OF THESE FIRMS)***

The use of front companies, virtual offices, and logistics firms (especially in concert with one another) presents a challenge to exporters and to authorities who need to determine the actual end user, end use and end destination. This model is exploited by proliferators to avoid export control laws and continue doing business with sanctioned nations (e.g., North Korea, Iran, Syria), unauthorized military and proliferation programs, as well as terrorist or criminal organizations.

Many transshipment hubs allow individuals to establish a business quickly and inexpensively. Proliferators have been known to exploit these laws by establishing and deregistering entities very quickly. **(DO YOUR DUE DILIGENCE AND RESEARCH)**

By using corporate secretary firms and/or small forwarding companies, diverters add multiple layers of consignees in an export transaction. It can be a major challenge for BIS to determine the ultimate end user and end destination of U.S items





# Red Flag Indicators

- Company did not register in destination country
  - Company (purchaser or end user) claimed their office in a specific country, but the local authority has no registration record
- Phone number or office address is co-shared with multiple companies
  - Secretary company or business center or logistics agent may allow their client to list their office address or phone number
- Purchaser contact did not match with the company website or public source
  - Eg. Hong Kong company address, but the phone and fax number is in another country such as phone numbers that have China country code (86); Hong Kong company is owned by mainland nationals or shows signs of being a shell company.



# Red Flag Indicators (Continued)

- End-user address looks incomplete.
  - No unit number, no floor number, no building name, no district name; Address appears to have mailbox number in addition to unit number.
- Suspicious or vague End-User Statements.
  - Ensure documents actually signed. Watch out for alias names, like “Kevin” with no surname.
- Shipment’s details don’t make sense
  - Purchaser located in Asia, but the Intermediate Consignee is located in the UAE; training and installation refused when normally part of your sales.
- Deal too good to be true.
  - Priced above market rate, or sale does not follow typical negotiation pattern



# Red Flag Indicators (Continued)

- The consignee has little or no business background.
- The consignee is unfamiliar with the product's performance characteristics but still wants the product.
- Routine installation, training, or maintenance services are declined by the consignee.
- Delivery dates are vague, or deliveries are planned for out-of-the-way destinations.
- A freight forwarding firm is listed as the product's final destination.
- Secretarial firms and freight forwarders are NOT Ultimate Consignees
- The shipping route is abnormal for the product and destination.
- Packaging is inconsistent with the stated method of shipment or destination.
- When questioned, the consignee is evasive and especially unclear about whether the purchased product is for domestic use, for export, or for re-export.



# Potential Consequences of a Violation

- **Consequences of violations may include:**
  - **A Warning Letter**
  - **Civil Enforcement**
    - Fine
    - Denial of export privileges
    - Exclusion from practice
  - **Criminal Prosecution (Jail and/or Fine)**
  - **Placement on the Entity List, UVL DPL**
  - **The type of enforcement action depends primarily on the natures and scope of the violations**



# Expectations of Industry

- Be knowledgeable of U.S. export controls when trading in items subject to U.S. export controls
- Only export with U.S. authorization- if no license required, under License Exception, or by license
- Diligently follow license conditions and recordkeeping requirements
- Maintain good relations and cooperation with BIS officials





# **Additional Resources:**

## **Individualized Help**

Outreach and Educational Services Division:

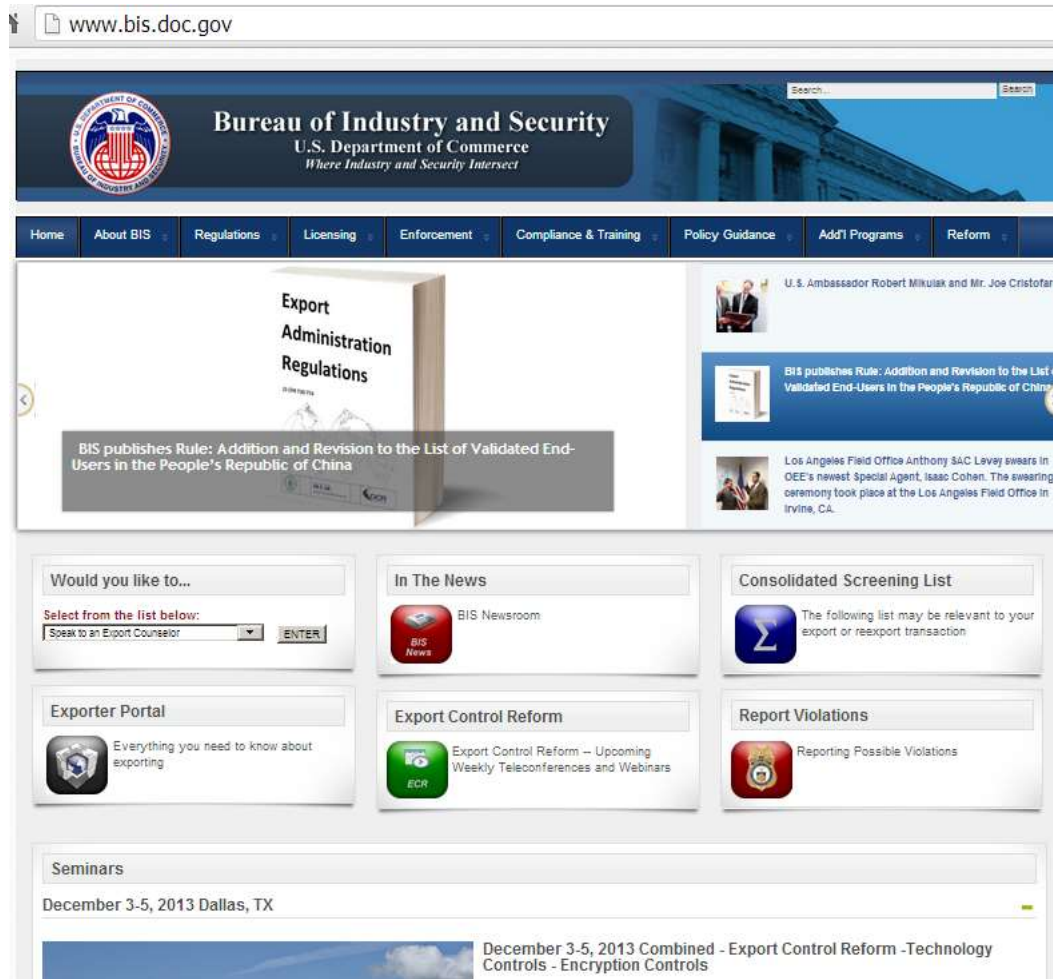
- [ECDOEXS@bis.doc.gov](mailto:ECDOEXS@bis.doc.gov)
- Washington, DC: +1-202-482-4811
- Western Regional Office: +1-949-660-0144
- Northern California Branch: +1-408-998-8806

Regulatory Policy Division

- [RDD2@bis.doc.gov](mailto:RDD2@bis.doc.gov)
- Washington, DC: +1-202-482-2440



# BIS Website



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

## Examples of Info:

- Policy Information
- Press releases
- Significant Speeches
- Training Materials
- Advisory Opinions
- Contact Information
- Much, much more!



# Thank You

**Scott Anderson**  
**Regional Export Control Officer**  
**U.S. Embassy Singapore**  
**Tel: +65 6476-9484**  
**h/p +65 8189-1885**  
**[Scott.anderson@trade.gov](mailto:Scott.anderson@trade.gov)**  
**[Yvonne.kok@trade.gov](mailto:Yvonne.kok@trade.gov)**