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**U.S. Immigration and Customs Enforcement
Arms & Strategic Technology Investigations**

CHINESE PROCUREMENT EFFORTS IN THE U.S.

Introduction

For over 25 years, the former U.S. Customs Service, and now U.S. Immigration and Customs Enforcement (ICE), has effectively operated as the nation's lead law enforcement agency to investigate violations of U.S. export control laws. The export control laws enforced by ICE primarily include the Arms Export Control Act, the Export Administration Regulations, the International Emergency Economic Powers Act and the Trading with the Enemy Act. ICE priority export enforcement initiatives address the illegal procurement and movement of weapons of mass destruction (WMD) materials and components, including the smuggling of nuclear, chemical, and biological materials into and out of the U.S. Further, ICE initiatives include investigations involving the illegal export of controlled dual-use commodities, military equipment and business and financial transactions with sanctioned countries and groups.

Historical Background

Following the People's Republic of China's (PRC) brutal suppression of demonstrators at Tiananmen Square in June 1989, the U.S. and other governments enacted a number of measures to express their condemnation of the PRC's blatant violation of the basic human rights of its citizens. The U.S. suspended high-level official exchanges with the PRC and weapons exports from the U.S. to the PRC. The U.S. Government also responded to the political repression by suspending certain trade and investment programs on June 5 and 20, 1989. Some sanctions were legislated; others were executive actions, including restrictions on United States Munitions List (USML) exports. As a result, no export licenses may be issued for the export of any defense article on the USML.

Chinese Procurement Efforts

Despite the imposition of sanctions, the PRC has articulated the desire to acquire technology by circumventing the U.S. export laws. To this end, the PRC has engaged in an effective, multi-faceted technology acquisition program to obtain USML items and dual-use commodities. Each acquisition strategy can employ more than one methodology and may be controlled by entirely different branches of the government. These methods include, but are not limited to the following:

- Collection by intelligence operatives
- Collection by businessmen, students, scientists and others operating in the U.S.
- Use of front companies

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- Transshipment through third countries to China
- Purchases from other foreign militaries of U.S. technology
- Joint ventures with U.S. companies
- Diversions of dual-use technologies for military purposes
- Acquisition of Defense Reutilization Marketing Organization surplus military equipment
- Domestic purchases from U.S. companies in "don't ask, don't tell" transactions
- Use of Taiwanese citizens (Often PRC born) to obtain technology
- Technology hand-carried out of the U.S.

The PRC is actively taking steps necessary to acquire commodities that would assist them in an attack on Taiwan and on U.S. forces in the area. The PRC is resolute in its determination to dismantle U.S. communications and spy satellites with jamming equipment, ground station attack, concealment and deception, information operations, direct-ascent anti-satellite weapons and directed-energy weapons. By incorporating U.S. technology into the PRC's Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) Program, they plan to use this technology against the U.S. in an attempt to invade Taiwan.

Investigative Approach

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 Additionally, ICE uses its authorities to enforce U.S. immigration and money laundering statutes as additional tools to prosecute export violators and to assist in the identification and seizure of criminal proceeds of specified unlawful activities.

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For decades, ICE has used its Project Shield America industry outreach program to identify and visit those companies involved in the manufacture or sale of military equipment. b2High, b7e Businesses are educated on U.S. export control laws and ICE's export enforcement efforts. The companies are asked to immediately contact ICE if suspicious orders are received for military items or sensitive dual-use commodities from suspect companies.

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Accomplishments

Since January 2000 to the present, ICE has initiated over 400 export investigations involving illicit PRC procurement efforts. Many of these investigations have resulted in the arrest, indictment and conviction of criminal defendants as well as the dismantling of Chinese front companies and networks. These cases often receive positive domestic and international media coverage.

For example, ICE recently announced the arrest of a South Korean citizen charged with the attempted illegal export of Blackhawk Helicopter engines and night vision equipment to PRC. In another significant investigation, ICE agents arrested two California residents who utilized front companies in Taiwan and Hong Kong to broker the illegal export of infrared and thermal imaging cameras, sensors, parts and technology to the PRC.

Attached hereto is a list containing a brief summary of some of the more significant export investigations involving PRC conducted by ICE, Office of Investigations.

**Recent Significant ICE Investigations Involving
Attempted Illegal Exports of U.S. Arms/Technology to the
People's Republic of China**

SAC/Seattle-Night Vision Optical Filters to China (Howard HSY et al)

In August 2003, ICE initiated an investigation into the illegal export of controlled military technology by Howard HSY, President. HSY purchased plastic optical filters suitable for night vision compatible lighting, night vision goggles with helmet mounts for fixed wing and rotary aircraft and liquid crystal displays that can be integrated into avionics. In August 2003, HSY was arrested for espionage in Taiwan, where he remains in custody b2High, b7e with the FBI and Department of Commerce. **On March 4, 2005, an information was filed for violation of the Arms Export Control Act (AECA) against HSY in Seattle, WA.**

RAC/New Haven-Black Hawk Military Helicopter Engines and Night Vision Systems to China (Kwon PARK)

On April 1, 2004, ICE agents arrested Kwonhwan PARK, a South Korean citizen, in Virginia as he attempted to board a plane bound for China with military night vision equipment in his luggage. ICE agents in New Haven, CT had been investigating PARK for two years after his Malaysian company bought two UH-60 Black Hawk military helicopter engines from a U.S. firm and illegally exported them to China. He then attempted to buy four more such engines from a U.S. manufacturer, which notified ICE agents

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RAC/Milwaukee-Restricted Electronic Equipment to China (Ning WEN, Hailin LIN, Jian Guo QU, and Ruo Ling WANG)

On September 30, 2004, ICE agents, in conjunction with agents from the FBI and the Department of Commerce, arrested Ning WEN, Hailin LIN, Jian Guo QU, and Ruo Ling WANG in Milwaukee and Manitowac, WI, on charges of conspiring to illegally export more than \$500,000 in restricted electronic components to China. The components could be used in a wide variety of military radar and communications applications. **On October 13, 2004, all four defendants were charged with conspiring to violate the International Emergency Economic Powers Act, the Export Administration Regulations and money laundering violations.**

SAC/Los Angeles-Fighter Jet Components and Missiles to China and Iran (INTERAERO et al)

A joint investigation by ICE, the Naval Criminal Investigative Service and Defense Criminal Investigation Service revealed that INTERAERO, a Los Angeles aircraft parts supplier, illegally exported six shipments of parts for F-4 and F-5 fighter jets as well parts for the HAWK Missile System to the People's Republic of China (PRC) with the knowledge that these items would ultimately go to Iran. The conviction of INTERAERO

was one of eleven that resulted from this five-year undercover investigation that targeted aircraft parts suppliers that sold defense articles over the Internet to foreign buyers without obtaining the required U.S. export licenses. **On August 17, 2004, INTERAERO, Inc., pled guilty in the District of Columbia to violating the Arms Export Control Act (AECA).**

SAC/Philadelphia-Sensitive Military Technology to China (UNIVERSAL TECHNOLOGIES and MANTEN ELECTRONICS)

In June 2003, ICE initiated an investigation into the activities of two companies, UNIVERSAL TECHNOLOGIES (UNITEK) and MANTEN ELECTRONICS. The firms sought to illegally export sensitive national-security controlled items to state-sponsored institutes in China. On July 1, 2004, agents from ICE, the FBI, and the Department of Commerce arrested seven individuals based on evidence that they were illegally exporting millions of dollars worth of items used in a variety of defense weapons systems, including smart weapons, radar, electronic warfare and communications systems. **On July 29, 2004, all seven individuals were indicted by the U.S. Attorney in Camden, NJ, for one or more of the following charges: International Emergency Economic Powers Act (IEEPA), Conspiracy, False Statements, AECA, and Money Laundering.**

RAC/Orlando-Missile Components to China (Henry NEE & Ting-lh HSU dba: AZURE SYSTEMS)

In September 1999, ICE agents began an investigation of Hai Lin "Henry" NEE, a Chinese citizen and resident of Orlando, FL. Agents determined that Ting-lh HSU, a naturalized U.S. citizen and president of AZURE SYSTEMS, and NEE, an employee of AZURE SYSTEMS, conspired to illegally export to China 25 low-noise amplifier chips used in the U.S. Hellfire Missile System. The chips were falsely labeled in export documents as "transistors" worth some \$20. On March 12, 2004, the pair was arrested in Orlando, Florida, on charges of violating the Export Administration Regulations, conspiracy, and false statements. HSU was a former employee of defense contractor Lockheed Martin. NEE formerly worked at a U.S. research institute that designed software for military and warfare simulations. **On July 16, 2004, HSU and NEE pled guilty to making false statements.**

SAC/Los Angeles-Jet Fighter Parts to the PRC (Amanullah KHAN and Ziad Jamil GAMMOH dba: UNITED AIRCRAFT & ELECTRONICS)

b2High, b7c Amanullah KHAN and Ziad Jamil GAMMOH, whose Anaheim, CA based company, UNITED AIRCRAFT & ELECTRONICS, exported F-4 and F-5 fighter components to the PRC without the requisite Department of State authorization. **b2High, b7c**

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RAC/San Jose-Military Night Vision Technology to China (Philip CHENG & Martin SHIH dba: NIGHT VISION TECHNOLOGY)

In May 2004, Philip CHENG and Martin SHIH, owner of a San Jose company, NIGHT VISION TECHNOLOGY (NVT),) were arrested by ICE agents after an extensive ICE, FBI, IRS, and Department of Commerce investigation. SHIH and CHENG illegally brokered the sale of military and commercial-grade night vision technology to China after the pair entered into a contract with the Chinese military to produce technology for night vision equipment. **On June 3, 2004, CHENG, SHIH, and NVT were indicted in the Northern District of California on charges of money laundering and AECA violations.**

SAC/Boston-Military Satellite and Radar Technology to China (John CHU, ZHU Zhaoxin, and Sunny BAI dba: HONG KONG NEW CRYSTAL)

On May 6, 2004, ICE agents arrested John CHU of Pasadena, CA, and ZHU Zhaoxin of Shenzhen, China, after they purchased U.S. defense articles, including satellite and radar technology for illegal export to China. The arrests occurred after the pair met with undercover ICE agents in Boston and flew to Los Angeles with inoperable versions of the defense articles. CHU and ZHU had been in negotiations with undercover ICE agents since March 2004 to purchase a variety of sensitive items, including traveling wave tubes used in satellite and radar applications, for export to China

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CHU and ZHU. On

May 18, 2004, CHU, ZHU and BAI were indicted on charges of conspiring to violate the AECA.

SAC/Boston-Missile Technology to China (William KOVACS dba: ELATEC TECHNOLOGY CORPORATION)

On Nov. 18, 2003, ICE agents in Haverhill, MA., arrested William KOVACS, president of ELATEC Technology Corporation (ETC). An ICE investigation determined that ETC had exported a sophisticated industrial furnace with potential missile applications to a firm in China known as Chinese Great Wall. ETC had exported the furnace to China even after its export license for this shipment was denied by the Commerce Department. **On May 28, 2004, KOVACS and ETC pled guilty in Washington D.C. to charges of conspiracy, aiding and abetting, and IEEPA.**

RAC/Norfolk-Missile Components to China (Zhan GAO & Donghua XUE)

In October 2000, ICE initiated an extensive investigation of Zhan GAO, a well-known U.S. human rights activist and scholar, who had been jailed by Chinese authorities in 2001 for allegedly spying for Taiwan. ICE agents developed evidence that GAO was illegally exporting sensitive U.S. technology to the PRC. The technology exported by GAO could be used in missile guidance and airborne battle management systems. GAO and her husband, Donghua XUE, received approximately \$590,000 from the PRC as payment for the exports. **In November 2003, GAO and XUE pled guilty in the Eastern District of Virginia to IEEPA and tax fraud violations.**

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SAC/Los Angeles-Missile and Fighter Jet Parts to the PRC (AHMAD NAHARDANI AND GABRIELA DE BREA dba: MEXPAR INTERNATIONAL)

In July 1999, ICE initiated an investigation into the illicit activities of Ahmad NAHARDANI and Gabriela DEBREA, whose firm, MEXPAR INTERNATIONAL, illegally exported components for F-4 fighter jets, the Hawk Missile System, and the AIM-9 Sidewinder Missile System to the PRC. The Defensive Criminal Investigative Service and the Naval Investigative Service assisted ICE in this investigation. **On September 25, 2003, NAHARDANI and DEBREA pled guilty to two felony counts of the (AECA) in the Central District of California. On July 29, 2004, a corporate plea was entered on behalf of MEXPAR INTERNATIONAL.**

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SAC/DC-Launch Vehicle Guidance Technology to China (SPACE SYSTEMS/LORAL & HUGHES SPACE AND COMMUNICATIONS)

In May 1997, ICE initiated an investigation into the illegal transfer of launch vehicle guidance technology that occurred in the wake of the disastrous failure of a Chinese launch vehicle carrying a LORAL communications satellite. ICE established that the two firms provided unlicensed defense services to China while participating in a failure review investigation. **On January 10, 2002, the U.S. State Department, Office of Defense Trade Controls announced it had reached an administrative settlement wherein LORAL was required to pay a \$20 million administrative penalty for AECA violations. On March 4, 2003, BOEING SATELLITE SYSTEMS, which assumed the legal liability when it purchased HUGHES, agreed to pay a \$32 million fine, \$8 million of which will go to ICE in annual allotments.**

SAC/Baltimore-Military Encryption Devices to China (Eugene HSU and David YANG)

In March 2001, information received from the Defense Security Service led to a long term ICE undercover investigation that ultimately revealed a sophisticated plot to conceal KIV-7 encryption devices through false statements and transshipment of the devices from the U.S. to the PRC via Singapore. The sale of these sensitive items ordinarily requires the approval of the National Security Agency. In August 2001, ICE agents arrested Eugene HSU of Blue Spring, MO and David YANG of Compton, CA. **On April 30, 2002, HSU and YANG were each found guilty in the Northern District of Maryland of violations of AECA and Conspiracy**

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