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United States Prosecutes U.S.-Based Smuggler Working for Iran

East Asian countries and regions are growing areas of diversion concern.

By Andrea Stricker

On October 24, 2012, the U.S. Department of Justice announced the indictment,¹ guilty plea, and sentencing of a San Antonio, Texas-based illicit procurement agent working to transship to Iran U.S.-made dual-use equipment. She conspired with two other indicted individuals to exploit weaknesses in controls in Taiwan, China, and the Chinese special administrative region of Hong Kong.² Susan Yip (aka Yeh) pled guilty in July 2012 to seven counts of conspiracy to violate export controls, money laundering, and wire fraud. Yip was sentenced to two years in prison; her coconspirators remain abroad and at large.

The Scheme

From October 2007 until June 2011, Yip acted as a broker for another indicted individual, Mehrdad (Frank) Foomanie of Iran, to place 599 orders with 63 U.S. companies. The network also sought goods from other countries in addition to the United States, in total, obtaining over 105,000 parts valued at some \$2,630,000 and making more than 1,250 transactions. Yip transshipped the goods to Foomanie's companies in Iran via her Taiwanese and Chinese region of Hong Kong companies and Foomanie sought goods via his companies located in China and Hong Kong. Yip also transshipped goods to Iran via Dubai using a company owned by a third indicted individual, Merdad Ansari. Foomanie's companies in Iran were called Sazgan Ertebat Co. Ltd. and Morvarid Shargh Co. Ltd. Foomanie completed bank wire transfers to pay Yip and Ansari for procurements and to compensate them for their efforts.

Goods with Nuclear, Missile, and Military Uses

According to the indictment, the goods obtained by the network had "dual-use military and civilian capability and could be used in such systems as: nuclear weapons, missile guidance and development, secure tactical radio communications, offensive electronic warfare, military electronic countermeasures (radio jamming), and radar warning and surveillance systems..."³ A list of many of the goods obtained from U.S. companies is included in the indictment.

¹ United States District Court, Western District of Texas, San Antonio Division, *Grand Jury Indictment: United States of America v. Susan Yip, Mehrdad Foomanie, and Mehrdad Ansari*, Filed June 15, 2011.

² Department of Justice Press Release, "Taiwanese National Sentenced to Prison for Illegally Exporting Military-Sensitive Items from the United States to Iran," October 24, 2012.

³ *Indictment: USA v. Yip, Foomanie, and Ansari*, p. 4.

Yip pled guilty to two specific overt acts of export control violations, the only two acts that are described in the indictment in detail. These acts included a 2007 attempt to purchase microwave absorbers from a Cedar Park, Texas company, goods which Yip was aware met military specifications. Foomanie and Yip conspired to have Ansari's company in Dubai, Gulf Gate Sea Cargo L.L.C., serve as the trading company or shipping intermediary between the United States and Taiwan and then surreptitiously ship the goods to Iran, but Ansari apparently botched communications with the Texas company. Yip and Foomanie told him to "shut up" about the Dubai destination because they wanted the United States to believe Taiwan would receive the goods and not the United Arab Emirates, which required a special license to receive U.S. dual-use goods.

In March 2008, Ansari notified Yip that the Commerce Department's Office of Export Enforcement was refusing to release the microwave absorbers because of their need for a license to Dubai. Yip intervened and lied to a Commerce Department agent that the goods would go to one of her companies in Taiwan, Hivocal Technology Company, and would be used in a telecommunications lab. The coconspirators planned to store the goods in Taiwan for a short period of time and then ship them to their actual end destination in Bandar Abbas, Iran. Yip indicated nervousness that her company could be blacklisted by the United States if the scheme were uncovered. In July 2008, U.S. agents conducted an end user inspection at Hivocal Technology Co. and Yip claimed that she did not yet have a buyer for the goods which were still being held at her company. The indictment does not indicate whether the microwave absorbers ultimately went to Iran.

The second specific act for which Yip pled guilty was a January 2008 attempt to purchase high power radio frequency amplifiers from a company in Ingelside, California. Yip falsely told the company that the end user was Chunghwa Telecom in Taiwan and attempted to have the shipment sent to Iran via Dubai. The shipment apparently became stuck in Dubai customs and Yip requested that the freight forwarder handling the consignment "bribe the United Arab Emirates Customs in order to expedite" the shipment to Iran.⁴ The indictment does not indicate whether a bribe was made or if the shipment went to Iran.

Yip admitted in her guilty plea that other procurements diverted to Iran (but not described in detail in the indictment) were completed via her many East Asian companies: Hivocal Technology Company, Ltd., Enrich Ever Technologies Co., Ltd., and Kuang-Su Corporation, of Taiwan; and Infinity Wise Technology, Well Smart (HK) Technology, Pinky Trading Co., Ltd., and Wise Smart (HK) Electronics Limited, of the Chinese region of Hong Kong. Foomanie also used his East Asian companies to transship goods to Iran: Panda Semiconductor and Foang Tech Inc., aka Ofogh Electronics Co., of Hong Kong; and Ninehead Bird Semiconductor, of mainland China.

Lessons

This case indicates that countries and regions of East Asia represent growing destinations of diversion concern and hubs for Iran's illicit procurement efforts. While end user checks are effective mechanisms to verify that sensitive goods are not sent to Iran or other countries of proliferation concern, it may be time for the United States to consider adding special licensing requirements for East Asian countries and regions that do not effectively police the transshipment and illicit trade practices of the myriad trading and international companies on their territories.

⁴ *Indictment: USA v. Yip, Foomanie, and Ansari*, p. 14.

This case shows that the United States remains steadfast in efforts to prosecute procurement agents working to illegally obtain U.S. dual-use goods for Iran in violation of the U.S. embargo and export control laws against Iran. U.S. Attorney Robert Pitman stated of the case, “When companies or individuals sell or otherwise facilitate the shipment of certain categories of goods to other countries in violation of the law or turn a blind eye to the end user, they are subjecting the United States to potential risks to its national security.”⁵

⁵ Department of Justice Press Release.