REPORT

Updates to ISIS Illicit Trade Case Studies

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This report includes several sentencing related updates to ISIS illicit nuclear, missile, and military trade case studies.

Update of "Case Study: United States Busts Likely North Korean Transshipment Scheme"

On March 16, 2015, Hsien Tai Tsai, a businessman from Taiwan charged by the United States with conspiring to export U.S. machine tools that could be used in the production of advanced weapons systems, including weapons of mass destruction¹, was sentenced to serve 24 months in federal prison.²

Tsai pleaded guilty in October 2014 to charges of conspiring "to interfere with and obstruct U.S. regulations that seek to disrupt the proliferation of weapons of mass destruction."

Update of "Chinese Citizen's Involvement in the Supply of MKS Pressure Transducers to Iran: Preventing a Reoccurrence"

Sihai Cheng, a Chinese citizen, arrived in Boston, Massachuestts on December 5, 2014 after being extradited from the United Kingdom to face U.S. charges.³ He is accused of "operating as a middleman seeking U.S. made pressure tranducers on behalf of Iran's nuclear program."4

¹ Andrea Stricker, "Case Study: United States Busts Likely North Korean Transshipment Scheme," ISIS Report, May 24, 2013. http://isis-online.org/isis-reports/detail/case-study-united-states-busts-likely-north-koreantransshipment-scheme/

² U.S. Department of Justice, "Taiwan Businessman Sentenced to 24 Months for Conspiring to Violate U.S. Laws Preventing Proliferation of Weapons of Mass Destruction," March 16, 2015.

³ U.S. Department of Justice, "SUMMARY OF MAJOR U.S. EXPORT ENFORCEMENT, ECONOMIC ESPIONAGE, TRADE SECRET AND EMBARGO-RELATED CRIMINAL CASES," Page 2, January 2015.

⁴ David Albright and Andrea Stricker, "Case Study- Chinese Salesman Arrested in Pressure Transducer Case," ISIS Report, January 18, 2013, http://www.isisnucleariran.org/assets/pdf/Hu illicit trade case 18Jan2013.pdf; lan J. Stewart, Andrea Stricker, and David Albright, "Chinese Citizen's Involvement in the Supply of MKS Pressure Transducers to Iran: Preventing a Reoccurrence," ISIS Report, April 30, 2014. http://isis-online.org/uploads/isisreports/documents/MKS China 30Apr2014-final.pdf

Update of "U.S. Busts Iranian Smuggling Scheme Involving a Nuclear-Related Good"

Nicholas Kaiga pleaded guilty on December 4, 2014 to one count of "attempting to violate the export control regulations" under the International Emergencey Economic Powers Act (IEEPA)⁵.

Kaiga exported controlled aluminum tubes from Belgium to a Malaysian front company, with the final destination being Iran. He was arrested in New York City as part of a U.S. sting operation.⁶

Update of "Case Study - Chinese Salesman Arrested in Pressure Transducer Case"

Qiang Hu was sentenced on July 24, 2014 to 34 months in federal prison for conspiring to illegally export pressure transducers to China. Hu worked as a sales manager for a subsidiary of MKS Instruments in Shanghai, and in this position, he exported thousands of these pressure transducers using export licenses fraudulently obtained from the Department of Commerce.

The pressure transducers were restricted because "they can be used in gas centrifuges to enrich uranium and produce weapons-grade uranium." The transducers were intended for "unauthorized Chinese end-users or to other, unnamed country end-users."

Update of "British Bank Accused of Doing Massive Illegal Iran Business: Settles with New York Authorities" 9

On December 9, 2014, it was announced that Standard Chartered would be subjected to "another three years of scrutiny" by U.S. prosecutors related to the company's violations of "U.S. sanctions on Iran and other countries."¹⁰

The prosecution agreement was set to expire shortly, and this extension "means that the bank will face enhanced oversight for a longer period of time and could be hit with harsher penalties."

ISIS REPORT 2 | P a g e

⁵ U.S. Department of Justice, "SUMMARY OF MAJOR U.S. EXPORT ENFORCEMENT, ECONOMIC ESPIONAGE, TRADE SECRET AND EMBARGO-RELATED CRIMINAL CASES," Page 3, January 2015.

⁶ David Albright and Andrea Stricker "U.S. Busts Iranian Smuggling Scheme Involving a Nuclear-Related Good," ISIS Report, January 31, 2014. http://www.isisnucleariran.org/assets/pdf/Kaiga_case_study_31Jan2014-Final.pdf

⁷ U.S. Department of Justice, "SUMMARY OF MAJOR U.S. EXPORT ENFORCEMENT, ECONOMIC ESPIONAGE, TRADE SECRET AND EMBARGO-RELATED CRIMINAL CASES," Pages 11-12, January 2015.

⁸ David Albright and Andrea Stricker, "Case Study - Chinese Salesman Arrested in Pressure Transducer Case," ISIS Report, January 18, 2013. http://www.isisnucleariran.org/assets/pdf/Hu illicit trade case 18Jan2013.pdf

⁹ Andrea Stricker, "British Bank Accused of Doing Massive Illegal Iran Business: Settles with New York Authorities," ISIS Report, August 15, 2012.

http://www.isisnucleariran.org/assets/pdf/British bank Iran business 15Aug2012.pdf

¹⁰ Karen Freifeld and Aruna Viswanatha, "U.S. extends scrutiny of Standard Chartered on sanctions compliance," Reuters, December 9, 2014.

Update of "Major U.S. Sting Operation Arrests Iranian in Nuclear Smuggling Network"

Parvis Khaki, an Iranian national held in custody in the Philippines awaiting extradition to the United States, apparently died of a heart attack in August 2014.¹¹

Khaki was wanted by the United States to face charges pertaining to his "directing [of] an illicit nuclear procurement ring" that acquired dual-use equipment and materials for Iran's nuclear centrifuge program with the help of a Chinese associate."¹²

Update of "Case Study – Chinese National Charged with Illegal U.S. Exports to Pakistani Nuclear Program"

On November 15, 2011, Xun Wang entered a guilty plea for conspiring to violate the International Emergencey Economic Powers Act (IEEPA).¹³ Other developments include a settlement with the Department of Commerce to pay "a civil penalty of \$200,000, with another \$50,000 payment suspended, and to be placed on the Commerce Department's Denied Persons List for five years, with an additional five years suspended." On December 20, 2012, Wang was sentenced "to one year and one day in prison in connection with the scheme."

Wang was a senior executive of PPG Paints Trading of Shanghai, and had exported paint coatings to the Chashma nuclear power plant, one that is controlled by the Pakistani Atomic Energy Commission (PAEC), with whom "U.S. companies are forbidden from doing business." ¹⁴

Update of "Case Study – Inventive U.S. Sting Operation Catches Iran-Based Military Equipment Smuggler" ¹⁵

In March 2012, Amir Hoessein Ardebili was deported back to Iran "after he had completed his prison sentence." Ardebili was previously "sentenced to five years in prison, with credit for

ISIS REPORT 3 | P a g e

¹¹ "Iran Deeply Concerned Over Death of National in Philippines," Tasnim News Agency, September 9, 2014.

¹² David Albright and Andrea Stricker, "Major U.S. Sting Operation Arrests Iranian in Nuclear Smuggling Network," ISIS Report, August 12, 2012. http://isis-online.org/uploads/isis-reports/documents/US case gas centrifuge equipment.pdf

¹³ U.S. Department of Justice, "SUMMARY OF MAJOR U.S. EXPORT ENFORCEMENT, ECONOMIC ESPIONAGE, TRADE SECRET AND EMBARGO-RELATED CRIMINAL CASES," Pages 38-39, January 2015.

¹⁴ Andrea Stricker, "Case Study – Chinese National Charged with Illegal U.S. Exports to Pakistani Nuclear Program," ISIS Report, August 23, 2011. http://isis-online.org/isis-reports/detail/chinese-national-charged-with-illegal-u.s.-exports-to-pakistani-nuclear-pro/

¹⁵ David Albright, Paul Brannan, and Andrea Scheel Stricker, "Case Study – Inventive U.S. Sting Operation Catches Iran-Based Military Equipment Smuggler," ISIS Report, February 16, 2010, http://isis-online.org/isis-reports/detail/inventive-u.s.-sting-operation-catches-iran-based-military-equipment-smuggl/20; "Comprehensive Piece on Iranian Military Equipment Smuggler and U.S. Sting Operation," October 5, 2010. http://isis-online.org/isis-reports/detail/comprehensive-piece-on-iranian-military-equipment-smuggler-and-u.s.-sting-o/20
¹⁶ Associated Press, "Iranian convicted in arms smuggling case deported," March 20, 2012.

time served, after pleading guilty at the U.S. District Court in Delaware to charges including conspiracy, money laundering, smuggling and arms export control violations."

Update of "Case Study - Former Iranian Ambassador Arrested in UK for Alleged Iran-Directed Smuggling Scheme"

In November of 2012, a High Court judge in the United Kingdom ruled that Nosratollah Tajik would not be extradited to the United States to face charges relating to conspiring "to export US defence night-vision weapons sights to Iran without a licence."¹⁷

If Tajik were extradited to the U.S., he could have faced "more than ten years in prison and large fines." ¹⁸

Update of "Arrest Made in Germany of Core Iranian Procurement Agent"

On November 30, 2010, Amirhossein Sairafi pleaded guilty to participating in a scheme with Jirair Avanessian to illegally export sensitive technologies to Iran. ¹⁹ Sairafi was later sentenced to 41 months in federal prison for his role.

Sairafi was involved in exporting "U.S. and foreign made vacuum pumps, valves, and other items bought from companies in the United States" to Iran.²⁰

Update of "Iran's Procurement of U.S. Military Aircraft Parts: Two case studies in illicit trade"²¹

On June 11, 2009, Traian Bujduveanu was sentenced "to 35 months in prison followed by three years supervised release for his role in a conspiracy to illegally export military and dual-use aircraft parts to Iran."²²

ISIS REPORT 4 | P a g e

¹⁷ BBC News, "Iranian avoids extradition to US for arms smuggling trial," November 27, 2012.

¹⁸ David Albright, Paul Brannan, and Andrea Scheel Stricker, "Case Study - Former Iranian Ambassador Arrested in UK for Alleged Iran-Directed Smuggling Scheme," ISIS Report, February 16, 2010. http://isis-online.org/isis-reports/detail/former-iranian-ambassador-arrested-in-britain-for-assisting-iran-directed-s/20

¹⁹ U.S. Department of Justice, "SUMMARY OF MAJOR U.S. EXPORT ENFORCEMENT, ECONOMIC ESPIONAGE, TRADE SECRET AND EMBARGO-RELATED CRIMINAL CASES," Page 61, January 2015.

²⁰ David Albright, Paul Brannan, and Andrea Scheel Stricker, "Arrest Made in Germany of Core Iranian Procurement Agent," ISIS Report, February 16, 2010. http://isis-online.org/isis-reports/detail/arrest-made-in-germany-of-core-iranian-procurement-agent/20

²¹ David Albright, Paul Brannan and Andrea Scheel, "Iran's Procurement of U.S. Military Aircraft Parts: Two case studies in illicit trade," ISIS Report, May 21, 2009. http://isis-online.org/uploads/isis-reports/documents/Iran Aircraft Procurement.pdf

²² U.S. Department of Justice, "SUMMARY OF MAJOR U.S. EXPORT ENFORCEMENT, ECONOMIC ESPIONAGE, TRADE SECRET AND EMBARGO-RELATED CRIMINAL CASES," Page 81, January 2015.