



EIB World Trade Headlines

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Decrementing Export Licenses in the Automated Commercial Environment (ACE)

The Bureau of Industry and Security (BIS), working with U.S. Customs and Border Protection, deployed a new AES function to assist filers reporting BIS-licensed exports. On July 28, 2016, AES began decrementing the BIS license value and now returns one or more Informational Messages to the filer. These messages will not preclude the issuance of an ITN, nor will they result in a Fatal Error. Depending on the circumstances of the filing, the filer may be notified:

- that the BIS license value has been met or exceeded by a prior filing;
- that the BIS license value has been exceeded by the current filing;
- that the allowable shipping tolerance (10% over BIS license value) has been exceeded by the current filing; and
- of the remaining value on the BIS license (may be negative). This function and associated Informational Messages were initiated based on suggestions from industry that decrementation of BIS licenses be automated in a manner similar to licenses issued by the Directorate of Defense Trade Controls (DDTC) for items subject to the International Traffic in Arms Regulations (ITAR). The intent of this action is to enable filers to better track their own license usage and to identify potential filing errors so that corrective action can be taken immediately. Questions and comments about this change should be directed to the BIS Office of Technology Evaluation at (202) 482-4933 or ECR_AES@bis.doc.gov.



NEWSLETTER NOTES

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Chinese National Who Conspired to Hack into U.S. Defense Contractors' Systems Sentenced to 46 Months in Federal Prison

Department of Justice
Office of Public Affairs
FOR IMMEDIATE RELEASE
Wednesday, July 13, 2016

A Chinese national who admitted to participating in a years-long conspiracy that involved Chinese military officers hacking into the computer networks of major U.S. defense contractors in order to steal military technical data was sentenced today to 46 months in federal prison.



Today's sentencing was announced by Assistant Attorney General for National Security John P. Carlin and U.S. Attorney Eileen M. Decker of the Central District of California.

"Su Bin's sentence is a just punishment for his admitted role in a conspiracy with hackers from the People's Liberation Army Air Force to illegally access and steal sensitive U.S. military information," said Assistant Attorney General Carlin. "Su assisted the Chinese military hackers in their efforts to illegally access and steal designs for cutting-edge military aircraft that are indispensable to our national defense. These activities have serious consequences for the national security of our country and the safety of the men and women of our armed services. This prison sentence reinforces our commitment to ensure that hackers, regardless of state affiliation, are held accountable for their criminal conduct."

"Protecting our national security interests, including sensitive military information, is the Justice Department's highest priority," said U.S. Attorney Decker. "Over the course of years, this defendant sought to undermine the national security of the United States by seeking out information that would benefit a foreign government and providing that country with information it had never before seen. The outstanding efforts of the prosecutors and investigators who developed this case demonstrate our commitment to protecting our nation's security from all threats. As this case shows, criminals can be held accountable no matter where they are located in the world."

Su Bin, who is also known as Stephen Su and Stephen Subin, 51, a citizen and resident of the People's Republic of China, was sentenced today by U.S. District Judge Christina A. Snyder of the Central District of California.

Su told his co-conspirators – military officers in China – whom to target, which files to steal and why the information they stole was significant. During the course of the conspiracy, Su and his co-conspirators stole sensitive military and export-controlled data and sent the stolen information to China.

On March 23, Su pleaded guilty to one count of conspiring to gain unauthorized access to a protected computer and to violate the Arms Export Control Act by exporting defense articles on the U.S. Munitions List contained in the International Traffic in Arms Regulations. Su admitted that he conspired with two persons in China from October 2008 to March 2014 to gain unauthorized access to protected computer networks in the United States – including computers belonging to the Boeing Company in Orange County, California – to obtain sensitive military information and to export that information illegally from the United States to China.

A criminal complaint filed in 2014 and subsequent indictments filed in Los Angeles charged Su, a China-based businessman in the aviation and aerospace fields, for his role in the criminal conspiracy to steal military technical data, including data relating to the C-17 strategic transport aircraft and certain fighter jets produced for the U.S. military. Su was initially arrested in Canada in July 2014 on a warrant issued in relation to this case. Su ultimately waived extradition and consented to be conveyed to the United States in February 2016.

Su admitted that as part of the conspiracy, he sent e-mails to his co-conspirators with guidance regarding what persons, companies and technologies to target during their computer intrusions. One of Su's co-conspirators gained access to information located on computers of U.S. companies, and he emailed Su directory file listings and folders showing the data that the co-conspirator had been able to access. Su then directed his co-conspirator as to which files and folders his co-conspirator should steal. Once the co-conspirator stole the data, using techniques to avoid detection when hacking the victim computers, Su translated the contents of certain stolen data from English into Chinese. In addition, according to Su's admissions and the sentencing documents, Su and his co-conspirators each wrote, revised and emailed reports addressed to the Second Department, General Staff Headquarters, Chinese People's Liberation Army about the information and technology they had acquired by their hacking activities, including its value, to the final beneficiaries of their hacking activities. Su also admitted that he engaged in the crime for the purpose of financial gain and specifically sought to profit from selling the data the he and his conspirators illegally acquired.

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The case was investigated by the FBI's Los Angeles Field Office's Cyber Division with assistance from the U.S. Air Force Office of Special Investigations. This case was prosecuted by the U.S. Attorney's Office of the Central District of California's Terrorism and Export Crimes Section and Trial Attorney Casey Arrowood and Senior Trial Attorney Robert E. Wallace of the National Security Division's Counterintelligence and Export Control Section, with support from the Justice Department's Office of International Affairs.

National Security Division (NSD)
 USAO - California, Central

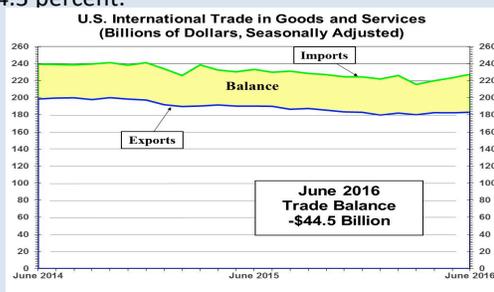
U.S. INTERNATIONAL TRADE IN GOODS AND SERVICES June 2016

The U.S. Census Bureau and the U.S. Bureau of Economic Analysis, through the Department of Commerce, announced today that the goods and services deficit was \$44.5 billion in June, up \$3.6 billion from \$41.0 billion in May, revised. June exports were \$183.2 billion, \$0.6 billion more than May exports. June imports were \$227.7 billion, \$4.2 billion more than May imports.

The June increase in the goods and services deficit reflected an increase in the goods deficit of \$3.8 billion to \$66.0 billion and an increase in the services surplus of \$0.3 billion to \$21.5 billion.

Year-to-date, the goods and services deficit decreased \$5.8 billion, or 2.3 percent, from the same period in 2015. Exports decreased \$54.2 billion or 4.7 percent. Imports decreased \$60.0 billion or 4.3 percent.

Goods and Services
 Three-Month
 Moving
 Averages
 (Exhibit 2)



The average goods and services deficit increased \$3.0 billion to \$40.9 billion for the three months ending in June.

* Average exports of goods and services increased \$1.0 billion to \$182.8 billion in June.

* Average imports of goods and services increased \$4.0 billion to \$223.7 billion in June.

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Year-over-year, the average goods and services deficit decreased \$0.4 billion from the three months ending in June 2015.

* Average exports of goods and services decreased \$8.0 billion from June 2015.

* Average imports of goods and services decreased \$8.4 billion from June 2015.

Exports (Exhibits 3, 6, and 7)

Exports of goods increased \$0.5 billion to \$120.4 billion in June.

Exports of goods on a Census basis increased \$0.7 billion.

* Foods, feeds, and beverages increased \$0.6 billion.
 o Corn increased \$0.3 billion.
 o Wheat increased \$0.2 billion.

* Consumer goods increased \$0.4 billion.
 o Artwork, antiques, stamps, and other collectibles increased \$0.2 billion.

* Capital goods increased \$0.3 billion.
 o Civilian aircraft increased \$1.1 billion.

Net balance of payments adjustments decreased \$0.2 billion.

Exports of services increased \$0.1 billion to \$62.8 billion in June.

* Financial services and maintenance and repair services each increased \$0.1 billion.

* Travel (for all purposes including education) decreased \$0.1 billion.

Imports (Exhibits 4, 6, and 8)

Imports of goods increased \$4.4 billion to \$186.4 billion in June.

Imports of goods on a Census basis increased \$4.2 billion.

* Industrial supplies and materials increased \$2.3 billion.
 o Crude oil increased \$1.4 billion.

* Consumer goods increased \$1.9 billion.
 o Pharmaceutical preparations increased \$1.4 billion.
 o Cell phones and other household goods increased \$1.1 billion.

• Capital goods increased \$1.0 billion.
 Net balance of payments adjustments increased \$0.1 billion.

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Imports of services decreased \$0.2 billion to \$41.2 billion in June.

* Travel (for all purposes including education) decreased \$0.1 billion.

* Transport, which includes freight and port services and passenger fares, decreased \$0.1 billion.

Real Goods in 2009 Dollars – Census Basis (Exhibit 11)

The real goods deficit increased \$3.8 billion to \$64.7 billion in June.

* Real exports of goods decreased \$0.6 billion to \$117.1 billion.

* Real imports of goods increased \$3.2 billion to \$181.8 billion.

Revisions

Revisions to May exports

* Exports of goods were revised upward less than \$0.1 billion.

* Exports of services were revised upward \$0.2 billion.

Revisions to May imports

* Imports of goods were revised downward less than \$0.1 billion.

* Imports of services were revised upward less than \$0.1 billion

Goods by Selected Countries and Areas: Monthly – Census Basis (Exhibit 19)

The June figures show surpluses, in billions of dollars, with Hong Kong (\$2.6), South and Central America (\$2.3), Singapore (\$0.4), and Brazil (\$0.4). Deficits were recorded, in billions of dollars, with China (\$28.0), European Union (\$12.7), Japan (\$6.0), Germany (\$5.6), Mexico (\$4.7), South Korea (\$2.5), Italy (\$2.3), India (\$2.0), France (\$1.6), OPEC (\$1.2), Taiwan (\$1.1), Canada (\$0.6), Saudi Arabia (\$0.5), and United Kingdom (\$0.2).

* The deficit with Japan increased \$1.0 billion to \$6.0 billion in June. Exports decreased \$0.4 billion to \$5.0 billion and imports increased \$0.6 billion to \$11.0 billion.

* The deficit with the European Union increased \$0.8 billion to \$12.7 billion in June. Exports increased \$0.9 billion to \$22.9 billion and imports increased \$1.7 billion to \$35.6 billion.

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* The deficit with Mexico decreased \$0.8 billion to \$4.7 billion in June. Exports increased \$0.3 billion to \$19.0 billion and imports decreased \$0.5 billion to \$23.7 billion.

NOTES:

* All statistics referenced are seasonally adjusted; statistics are on a balance of payments basis unless otherwise specified. Additional statistics, including not seasonally adjusted statistics and details for goods on a Census basis, are available in Exhibits 1-20b of this release. For information on data sources, definitions, revision procedures, and scheduled release dates through December 2016, see the information section on page A-1 of this release. The next release is September 2, 2016.

* For definitions of goods on a balance of payments basis, goods on a Census basis, and net balance of payments adjustments, see the information section on page A-1 of this release.

CEO Gets Decade in U.S. Prison for Illegal Exports to Russia By Patricia Hurtado July 21, 2016

A Russian-born chief executive officer who pleaded guilty to procuring millions of dollars of sophisticated microelectronics for Russia, including warfare defense systems used in fighter jets, was sentenced to 10 years in a U.S. prison by a judge who accepted his claims that he's an immigrant who "loves" America.

A federal judge in Brooklyn, New York, rejected a prosecutor's request to sentence Arc Electronics Inc. founder Alexander Fishenko to more than 18 years on the basis that his actions led to "a sophisticated effort to assist Russia's militarization efforts."

While he imposed a lesser term, U.S. District Judge Sterling Johnson cautioned that the full impact of Fishenko's crimes won't be known for decades, noting that evidence at a related trial showed that some of the sophisticated components which Fishenko's firm shipped are frequently used in a range of military weapons.

"Whether intentionally or unintentionally, some of these sophisticated components did end up with the Russian military," Johnson said. "God knows what kind of impact that will have, either for our future or their future. Whether Mr. Fishenko is a spy or not a spy, there's no evidence he was a spy."

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Letter to Judge

Fishenko wrote to the judge before his sentencing, saying he started his company with "honorable" intentions and attributed his downfall to entering "the wrong business at the wrong time." He said he lacked the expertise to deal with the export of sophisticated electronics and asked for a term of four years and two months in prison.

"I fear you don't know me," Fishenko said in the letter. "I fear that you have this image of me as some kind of a secret agent."

"I love this country!" wrote Fishenko, who didn't speak in court on Thursday. "The absolute furthest thing from my mind was being a spy for Russia."

By falsely claiming to be a traffic light manufacturer, Arc Electronics duped companies including Texas Instruments Inc., Xilinx Inc. and Toshiba Corp. to sell it sensitive electronic components, some of which were funneled to the Russian military, prosecutors said. Fishenko pleaded guilty in September to charges that included conspiracy, acting as an unregistered agent of the Russian government and illegal export of microelectronics.

"Yes, I committed crimes, but I never, ever did so with the intention of hurting this country," he said. He said he spent the last 3 1/2 years at a federal jail in Brooklyn teaching yoga, art and English to his fellow inmates and received commendations from prison officials for his efforts.

Evading Controls

Fishenko led a conspiracy to obtain advanced, cutting-edge electronics from manufacturers and suppliers in the U.S. to export them to Russia and evade government controls, according to U.S. prosecutors. The items included microprocessors which are frequently used in military systems, missile-guidance systems and detonation triggers. He also helped the Russian military get a type of radar installed in the nose of a fighter jet, such as a MiG, to aim its weapons system at multiple targets, according to prosecutors. Fishenko used sham entities and offshore bank accounts to hide the transactions, prosecutors said. He shipped about \$50 million worth of sophisticated electronics to Russian agencies, they said.

"These are all items that the Russian military were desperate to procure," Brooklyn Assistant U.S. Attorney Una Dean said, because Russia was more than 10 years behind the U.S. in the technology. The technology companies that were allegedly duped weren't charged with any crimes.

Three former employees of Arc Electronics were convicted last year after a trial while four others pleaded guilty to being part of the scheme.

Training and Seminars

The Bureau of Industry and Security (BIS) is preparing for the 29th annual Update Conference on Export Controls and Policy in Washington, D.C. This major outreach activity draws business and government representatives from around the world to learn and exchange ideas about export control issues. It is one of the Department's most notable international trade events. Update 2016 will be held October 31- November 2, at the Washington Hilton Hotel. A conference room rate will be available to registered attendees when registration opens. Detailed registration and program information will be available in the coming days. For additional information on Update 2016, you may contact the Outreach and Educational Services Division at:

For more information and to register:

<http://www.bis.doc.gov/index.php/component/content/article/9-bis/carousel/1104-update-2016-conference-on-export-controls-and-policy> or (202) 482 6031.

Name of Event: "Working Capital Guarantee Program: Unlock Your Cash Flow" Webinar

Description of Event: In this webinar, exporters will learn about working capital and how it helps U.S. companies with their purchase orders when exporting. The U.S. company will also learn about surety bonding requirements of a project and other financial products. You will also have an opportunity to have your questions answered by a Regional Director from Export-Import Bank and an International Trade Specialist from the Department of Commerce. For more information, please contact:

Linda.Abbruzzo@trade.gov <<mailto:Linda.Abbruzzo@trade.gov>> .

Date: September 15, 2016

Time: 2:00 p.m. – 3:00 p.m. ET

Location: Online via webinar

Cost: There is a cost of \$25 to view the webinar

To register click here

<<https://emenuapps.ita.doc.gov/ePublic/event/editWebReg.do?SmartCode=6Q7T>> :

(*Continued On The Following Page)

Name of Event: "Credit Insurance: Avoiding Commercial and Political Risk" Webinar

Description of Event: In this webinar, exporters will learn how credit insurance can help reduce risks with exporting overseas. They will also learn about the competitiveness and liquidity benefits that can come along with a policy. You will also have an opportunity to have your questions answered by a Regional Director from Export-Import Bank and an International Trade Specialist from the Department of Commerce. For more information, please contact Linda.Abbruzzo@trade.gov <<mailto:Linda.Abbruzzo@trade.gov>> .

Date: September 22, 2016

Time: 2:00 p.m. – 3:00 p.m. ET

Location: Online via webinar

Cost: There is a cost of \$25 to view the webinar

To register click here:

<<https://emenuapps.ita.doc.gov/ePublic/event/editWebReg.do?SmartCode=6Q7U>>

Name of Event: "International Methods of Payment" Webinar

Description of Event: In this webinar, exporters will know about the four different types of international methods of payments: cash-in-advance, letters of credit, documentary collections and open accounts. You will learn the advantages and disadvantages of each one. You will also have an opportunity to have your questions answered by a Regional Director from Export-Import Bank and an International Trade Specialist from the Department of Commerce. For more information, please contact Linda.Abbruzzo@trade.gov.

Date: September 29, 2016

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"Never Let Success Get To Your Head; Never Let Failure Get To Your Heart."

Time: 2:00 p.m. – 3:00 p.m. ET

Location: Online via webinar

Cost: There is a cost of \$25 to view the webinar

To register click here:

<<https://emenuapps.ita.doc.gov/ePublic/event/editWebReg.do?SmartCode=6Q7V>>



Web Notice: The Directorate of Defense Trade Controls (DDTC) is currently in the process of modernizing its IT systems. During this time period, we anticipate there may be delays in response times and time to resolve IT related incidents and requests. We apologize for any inconvenience, and appreciate your patience while we work to improve DDTC services. If you need assistance, please contact the DDTC Service Desk at (202) 663-2838, or email at DtradeHelpDesk@state.gov (06.28.16)

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