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Taiwan's Export Control System: Overview and Recommendations

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EXECUTIVE SUMMARY

This report provides an overview and assessment of Taiwan’s export control program, with a focus on strategic high-tech commodities (SHTC). It highlights Taiwan’s global position as a major port for both shipping and dual-use exports, identifying the key legislation and organizations that address SHTC exports. It thoroughly examines the key organizations, legislation, licensing procedures, and challenges within Taiwan’s export control system.

Overall, Taiwan has a strong, modern export control system, and any deficiencies are similar to other jurisdictions of the same size in terms of trade and shipping. Nonetheless, Taiwan’s isolation in the international community continues to make it a target for illicit trade, including financing of items related to weapons of mass destruction (WMD).

Using open-source data, this report identifies twenty-five export-control cases involving Taiwanese persons and/or entities. All of these cases were prosecuted in Taiwan or abroad. In an attempt to identify unprosecuted cases, researchers incorporated publicly available data, including the Panama Papers. The report finds no evidence of unprosecuted illicit WMD-related trade.

Despite its international isolation, Taiwan has an opportunity to become a leader in safe international trade. By fully embracing export control and proliferation finance laws and enforcement, Taiwan could become a natural hub for export controls. To this end, this report recommends:

- » The United States and Japan continue their capacity building, information exchange, and related export control and anti-proliferation finance activities.
- » Taiwan should continue to vigilantly engage in industry outreach, and monitor transshipment, and brokering risks.
- » China and Taiwan should form an informal channel for discussion of export controls at the track one-and-a-half level.
- » The International Police Organization, or INTERPOL, should grant Taiwan observer status.
- » Taiwan should tighten criminal and civil penalties for export-control violations.
- » Taiwan should improve its anti-money laundering and proliferation finance laws and enforcement.

TAIWAN’S EXPORT-CONTROL SYSTEM

INTRODUCTION

Illicit procurement networks target Taiwan because of its role as a major global supplier of high-tech, dual-use goods and technologies and its unique legal status, which prevents its membership in international organizations and multilateral export control regimes.

This report identifies key organizations involved in Taiwan’s export control regime, outlines relevant laws and regulations, analyzes prominent cases that highlight trends in violations of Taiwan’s export controls and assist in elucidating illicit procurement networks, and provides recommendations for improving Taiwan’s existing export control regime.

Incidents involving court cases pertaining to violations of Taiwan’s Foreign Trade Act and media reports reveal Taiwanese individuals and companies operating in Taiwan and abroad have participated in illicit procurement networks that engage in the export or attempted export of sensitive materials to Iran, North Korea, China, and Myanmar between 2003 and 2015. In many of these cases, illicit procurement networks used Taiwan as a transshipment point, and, in some cases, these networks falsified end-use and/or end-user information.

Despite Taiwan’s robust legal framework for export controls, its enforcement mechanisms and penalties can be inadequate to deter some export control violations. Financial penalties for violations remain low, and fines are often commuted.¹ However, despite its lack of access to the international system, Taiwan has demonstrated rapid improvement in its export control system by aggressively adopting international standards and informally reaching out to others in the region through conferences and workshops.

BACKGROUND

Taiwanese individuals and companies have engaged in strategic trade control violations and illicit procurement networks of dual-use goods and technologies. Taiwan’s unique international legal status prevents its membership in major multilateral export control regimes, complicating its relations with international organizations such as the United Nations and the International Atomic Energy Agency (IAEA).

1 When discussing enforcement, one Taiwanese official anecdotally noted that many in Taiwan perceive criminal penalties as too low to deter strategic trade controls violations. Interview with Taiwanese official, Catherine Dill, Taipei, November 2016

Nonetheless, Taiwan remains a major importer, exporter, and shipping hub. In 2015, Taiwan ranked as the world’s seventeenth-largest merchandise exporter and twentieth-largest merchandise importer.² Taiwan is a leading producer of dual-use high-tech materials and technologies and is a major exporter of these materials. In 2012, Taiwan issued 12,395 export licenses. Major SHTC exporting destinations included Singapore, South Korea, and Hong Kong.³ In 2014, Taiwan was the eighth-largest exporter and eighth-largest importer in the world of containerized cargo, and it issued 12,189 SHTC export permits.⁴ Major shipping destinations for electronics included China, Singapore, and the United States.⁵ In 2015, cargo handled in Taiwan reached 721.39 million revenue tons, a 3.6 percent decrease from 2014.⁶ Taiwan’s major SHTC exports in 2015 comprise five main categories:⁸

- » Electronic integrated circuits (HS⁹ 8542) constitute 92.97 percent of SHTC exports (USD 9,212,200,529);
- » Machine tools (HS 8457) constitute 1.91 percent of SHTC exports (USD 189,311,271);
- » Manufactured semiconductor machines (HS 8486) constitute 1.75 percent of SHTC exports (USD 173,505,385);
- » Multi layer masks with a phase shift layer (HS 3705) constitute 0.93 percent of SHTC export (USD 91,828,948);
- » Communication apparatuses (HS 8517) constitute 0.46 percent of SHTC exports (USD 45,865,618).

2 “Chinese Taipei,” World Trade Organization, November 2016, <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=TW>

3 Jeremy Shen, Deputy Executive Secretary, Security and Export Control Task Force, “Taiwan’s Export Control on Brokering, Forwarding and Transshipment,” Bureau of Foreign Trade, 28-29 August 2013, http://csis.org/files/attachments/130828_JeremyShen.pdf

4 Trade Statistics, World Shipping Council, <http://www.worldshipping.org/about-the-industry/global-trade/trade-statistics#2>

5 Weng Meilan, BOFT Officer, “Import and Export regulations of SHTC” (Presentation), 26 March 2015, Slide 18, <https://web.customs.gov.tw/public/attachment/532015221071.ppt>

6 Bruce Chien, “Taiwan’s Export Control Regime,” Export Control Task Force, Chinese Taipei, 7 February 2012, http://supportoffice.jp/outreach/2011/asian_ec/2-1-2_Chinese_Taipei.pdf

7 “Ports and Harbors,” Taiwan Ministry of Transportation and Communications, https://www.motc.gov.tw/en/hot-key_print.jsp?mtitle=Ports+and+Harbors&imgfolder=img&contentlink=ap/artwebsite.jsp&mserno=201109050009&id=257&contentid=257

8 Other categories make up only 1.98 percent of SHTC exports (valued at USD 196,491,993).

9 HS refers to Harmonized System code, which is an international tariff code agreed upon by the World Trade Organization.

Taiwan operates seven international commercial ports: Keelung, Kaohsiung, Hualien, Taichung, Suao, Anping, and Taipei.¹⁰ The port of Kaohsiung is Taiwan’s largest international commercial port and shipping hub. The port of Taichung, which focuses on near-sea shipping lines and acts as a regional container feeder port, is a significant port for the import and export of energy products and raw materials for heavy industry. Taichung is also a warehouse and shipping center for oil and materials for Taiwan’s energy sector, heavy industries, and petrochemical companies.¹¹ With six operational reactors and two under construction, Taiwan has a robust nuclear-energy program. Nuclear energy accounted for nearly 20 percent of its energy production share in 2014.¹²

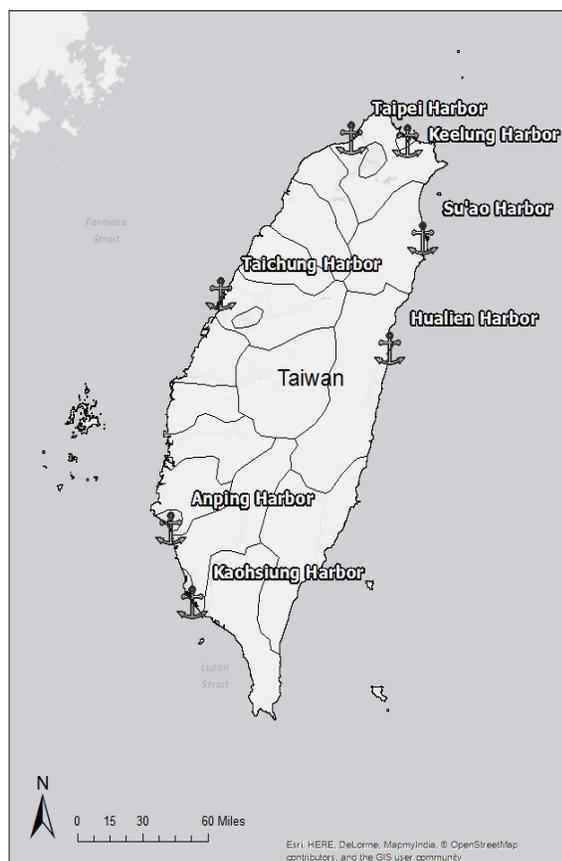


FIGURE 1: MAP OF PORTS ON TAIWAN

10 “Ports and harbors,” Ministry of Transportation and Communications Republic of China, <https://www.motc.gov.tw/en/home.jsp?id=257&parentpath=0,150,250>

11 “Ports and harbors,” Ministry of Transportation and Communications Republic of China, <https://www.motc.gov.tw/en/home.jsp?id=257&parentpath=0,150,250>

12 “Taiwan, China,” International Atomic Energy Agency Power Reactor Information System, <https://www.iaea.org/PRIS/CountryStatistics/CountryDetails.aspx?current=TW>

The port of Taipei focuses on transoceanic shipping and international logistics services for northern Taiwan. The container shipping company Evergreen Line, based in Taoyuan City, Taiwan, operates 192 ships, making it the fourth-largest company of its type in the world by number of ships operated as of January 2016.¹³

Taiwan’s Bureau of Foreign Trade (BOFT) maintains Taiwan’s SHTC export control regime by adopting three external export control lists: the multilateral export control regime lists, the European Union Community Regime for the Control of Exports of Dual-use Items and Technology (EU dual-use list), and the Common Military List of the European Union. In addition, Taiwan uses its own Sensitive Commodities List specifically for export to North Korea and Iran, which includes 398 tariff codes. Taiwan also uses “catch-all” controls on end-users and end-uses which indicate a risk that an item may be used for WMD purposes.¹⁴

Taiwan’s strategic trade control (STC) lists incorporate items included in multilateral export control regimes (e.g. the Wassenaar Arrangement, the Australia Group, the Missile Technology Control Regime, and the Nuclear Suppliers Group), but Taiwan’s legal status prevents its formal participation in major nonproliferation or multilateral export control regimes, including the 1968 Treaty on Nonproliferation of Nuclear Weapons, the 1993 Chemical Weapons Convention, and the 1972 Biological and Toxin Weapons Convention.¹⁵

Taiwan, also known as Chinese Taipei, does have membership in the Asia Pacific Money Laundering Group; however, its last mutual evaluation report occurred in 2007, before the Financial Action Task Force included recommendations specifically targeting proliferation finance.¹⁶ It is also a member of the Egmont Group and has signed a memorandum of understanding with the US Department of the Treasury. However, Taiwan remains on the US Department of State’s list of “Countries/Jurisdictions of Primary Concern” on the annual International Narcotics Control Strategy Report to Congress.¹⁷ Taiwan’s isolation partially contributes to this status, but Taipei can take several concrete steps toward improving compliance with their Money Laundering Control Act, particularly criminalizing terrorism and proliferation finance as autonomous crimes.

After formally recognizing Beijing as the seat of government of China in 1979, the United States, along with the IAEA and Taiwan, re-entered into a trilateral safeguards agreement that the three

13 “Leading container shipping companies worldwide based on number of ships, January 18, 2016,” Statista via Alphaliner, <http://www.statista.com/statistics/263291/container-shipping-companies-worldwide-number-of-ships/>

14 “Bureau of Foreign Trade, Ministry of Economic Affairs,” *Bureau of Foreign Trade*, <http://www.trade.gov.tw/Pages/List.aspx?nodeID=901>; interviews with BOFT officials, Melissa Hanham and Catherine Dill, Taipei, July 2016

15 Togzhan Kassenova, “Global Non-Proliferation and the Taiwan Dilemma,” Carnegie Endowment for International Peace, 22 March 2012, <http://carnegieendowment.org/2012/03/22/global-non-proliferation-and-taiwan-dilemma>

16 Asia-Pacific Group on Money Laundering, “APG Mutual Evaluation Report on Chinese Taipei,” 24 July 2007, <http://www.apgml.org/includes/handlers/get-document.ashx?d=7add9fff-0738-47c2-946b-9abed09facd>

17 US State Department, “International Narcotics Control Strategy Report Volume II: Money Laundering and Financial Crimes,” March 2016, <http://www.state.gov/documents/organization/253983.pdf>.

parties previously had.¹⁸ The IAEA regularly conducts inspections of Taiwan’s nuclear facilities. However, Taiwan does not have access to the IAEA’s Incident and Trafficking Database (ITDB) system, and thus it cannot add incidents of illicit trafficking of nuclear materials and other radioactive materials to the database.

When discussing Taiwan’s international standing during interviews with Taiwanese officials, multiple officials conveyed to CNS researchers that exclusion from multilateral export regimes makes convincing Taiwanese industry to participate in strategic trade controls more difficult.¹⁹ Many small and medium-sized company officials feel regulation makes them less competitive and that mainland China will simply export what they will not. However, large firms, particularly those that are part of an international supply chain with an internal compliance program, recognize the need for controls and even feel that they have a patriotic duty to keep Taiwan safe.²⁰

TAIWAN’S SHTC EXPORT-CONTROL HISTORY

Taiwan’s development of export controls entails a balancing act between its ability to practice diplomacy and assert international influence through trade with its need to manage pressure to conform to international nonproliferation standards.²¹ In the 1980s, as one of the newly industrializing countries (NICs) in the Asia-Pacific Region, Taiwan became a major player in world trade along with Hong Kong, Singapore, and South Korea.²² Initially, Taiwan viewed export controls as a hindrance to economic growth. However, Taiwan also depends on the United States for high-tech transfers and security assurances, which allows the United States to exert pressure on Taiwan to improve its export control regime. Taiwan thus progressively adopted the following export controls:²³

- » In 1988, the United States began export control consultations with Taiwan, leading to a memorandum of understanding that committed Taiwan to following Coordinating Committee for Multilateral Export Controls (COCOM) guidelines.²⁴
- » In 1993, Taiwan established its Foreign Trade Act. Articles 13 and 27 of the Act provide the legal basis for managing the trade of SHTC. The Foreign Trade Act criminalized exports or

18 IAEA, “The Text of a Safeguards Transfer Agreement Relating to a Bilateral Agreement Between the Republic of China and the United States of America,” INFCIRC/158, 8 March 1972, <https://www.iaea.org/sites/default/files/publications/documents/infcircs/1972/infcirc158.pdf>

19 Interviews with Taiwanese officials, Melissa Hanham and Catherine Dill, Taipei, July 2016 and November 2016; email interviews with Taiwanese officials, Melissa Hanham and Catherine Dill, November–December 2016

20 Interviews with industry officials, Melissa Hanham, Taipei, June 2013

21 Mark Wuebbels, “Is Taiwan Getting Serious about Export Controls,” *The Nonproliferation Review*, Vol. 12, No. 2 (August 8, 2006), p. 391–404, <<http://www.tandfonline.com/doi/pdf/10.1080/10736700500379081>>.

22 Belay Seyoum, *Export-Import: Theory, Practice, and Procedures* (2000), p.10.

23 Mark Wuebbels and Patrick Heiman, “Growing Pains—An Overview of Taiwan’s Export Control System,” *Asian Export Control Observer*, No. 6 (February/March 2005), <https://www.nonproliferation.org/wp-content/themes/pitch_premium/pdfs/aeco_0502.pdf>.

24 Mark Wuebbels and Patrick Heiman, “Growing Pains – An Overview of Taiwan’s Export Control System,” *Asian Export Control Observer*, Issue 6, February/March 2005, https://www.nonproliferation.org/wp-content/themes/pitch_premium/pdfs/aeco_0502.pdf

imports of SHTCs to restricted areas without a government permit and penalized violations with imprisonment of up to five years, detention, or a fine not exceed 1.5 million New Taiwan dollars (NTD). These restricted areas included Iran, Iraq, North Korea, Cuba, Sudan, Syria, and China. Two years later, Taiwan launched its SHTC export control system following COCOM guidelines.

- » In 1998, Taiwan incorporated the Wassenaar Arrangement, Australia Group, Nuclear Suppliers Group, and Missile Technology Control Regime (MTCR) into its SHTC export control system.
- » In 1996, Taiwan promulgated the Money Laundering Control Act (MLCA).²⁵
- » In 2004, Taiwan established a “catch-all” control measure in which unlisted items will be deemed SHTCs if their end-use or end-users are suspected of developing WMD or their means of delivery.²⁶
- » In 2006, Taiwan consolidated and applied a Sensitive Commodities List (SCL) to control exports to North Korea (the DPRK) and Iran.
- » In 2009, Taiwan adopted the European Union’s “Community Regime for the Control of Exports of Dual Use Items & Technology” and “Common Military List of the European Union.”
- » In 2012, Taiwan’s BOFT removed China from its list of restricted areas. Only twelve categories of semiconductor wafer manufacturing equipment remain restricted for export to China.²⁷
- » In 2013, Taiwan drafted amendments to the MLCA that would reflect the Financial Action Task Force’s Recommendation 7 on preventing the financing of WMD proliferation.²⁸ However, Taiwan has not formally adopted these draft amendments.
- » Taiwan currently maintains three export controls lists: the Dual-Use Items and Technology (EU List), the EU Common Military List, and the SCL for North Korea and Iran.²⁹

25 Taiwan Ministry of Justice, “洗錢防制法 [Money Laundering Control Act],” Amended April 13, 2016, <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=G0380131>

26 Jeremy Shen, Deputy Executive Secretary, Security and Export Control Task Force, “Taiwan’s Export Control on Brokering, Forwarding and Transshipment,” Bureau of Foreign Trade, 28-29 August 2013, http://csis.org/files/attachments/130828_JeremyShen.pdf

27 Baker McKenzie, “Taiwan export control regulatory reform: China is no longer a ‘restricted area’ under the strategic high-tech commodity (‘SHTC’) regime,” *Lexology*, 2 July 2012, [http://www.lexology.com/library/detail.aspx?g=b6fecb85-aae9-4400-8d3d-5c2869f35647s;Shih Hsiu-chuan, “China to be removed from high-tech trade watch list,” Taipei Times, 29 May 2012, <http://www.taipeitimes.com/News/front/archives/2012/05/29/2003533981>; “China Removed From Strategic High-tech Commodities Export Ban List,” Formosa International Attorneys at Law, 18 June 2012, \[http://www.taiwanlaw.com/en/news_detail.php?serial=1352\]\(http://www.taiwanlaw.com/en/news_detail.php?serial=1352\)](http://www.lexology.com/library/detail.aspx?g=b6fecb85-aae9-4400-8d3d-5c2869f35647s;Shih Hsiu-chuan, “China to be removed from high-tech trade watch list,” Taipei Times, 29 May 2012, http://www.taipeitimes.com/News/front/archives/2012/05/29/2003533981; “China Removed From Strategic High-tech Commodities Export Ban List,” Formosa International Attorneys at Law, 18 June 2012, http://www.taiwanlaw.com/en/news_detail.php?serial=1352)

28 Interview with Taiwanese official, Melissa Hanham, Taipei, 2013

29 Full lists are available at Taiwan’s Bureau of Foreign Trade Website at <http://www.trade.gov.tw/english/Pages/List.aspx?nodeID=298>.

LEGAL FRAMEWORK FOR EXPORT CONTROLS

Taiwan’s Foreign Trade Act, promulgated on February 5, 1993, forms the legal basis for its export control regime. Article 11 of the Foreign Trade Act stipulates that goods must be freely imported and exported; as a result, for items that do not require export permits, Taiwan’s BOFT established license-free procedures. However, Taiwan restricts some exports due to trade agreements, policy requirements, and concerns over national defense, public health, and public safety. In cooperation with the Directorate General of Customs, the BOFT publishes the “List of Commodities Subject to Export Restriction” and “List of Commodities Assisted by Customs for Export Examination.”³⁰

The Ministry of Economic Affairs (MOEA) requires all importers and exporters of SHTCs to apply for import and export permits, primarily through the BOFT. Private traders must register as importers with the BOFT and comply with legal regulations. They must also apply for any required import licenses.³¹ All importers and exporters must comply with Article 13 of the Foreign Trade Act and declare the intended use and user of the item being transferred.³² Under Article 14 of Taiwan’s Foreign Trade Act, the BOFT may entrust other agencies to issue export/import permits for goods, administrating export/import quotas for goods, and other matters relating to examining and registering exported and imported goods.³³ The “Regulations Governing Export and Import of Strategic High-Tech Commodities,” enacted pursuant to provisions in paragraph 6 of Article 13 of the Foreign Trade Act, detail regulations on SHTC import and export.³⁴

Article 13.2 of Taiwan’s Foreign Trade Act stipulates that SHTCs transported to restricted areas may not be trans-shipped via any commercial port in Taiwan or stored in bonded warehouses, logistics centers, or free trade areas without authorization.

Taiwanese law categorizes export control violation penalties into criminal and administrative punishments. Criminal violations are punishable by imprisonment of up to five years and/or a fine of up to NTD1,500,000 (~USD44,700). Administrative violations are punishable by fines ranging from

30 “Introduction to the export regulatory work,” *Bureau of Foreign Trade, Ministry of Economic Affairs*, effective October 20, 2011, http://www.trade.gov.tw/english/Pages/Detail.aspx?nodeID=102&pid=309914&dl_DateRange=all&txt_SD=&txt_ED=&txt_Keyword=&Pageid=3;_For the Consolidated List of Commodities Subject to Export Restriction and Commodities Assisted by Customs for Export Examination, see: https://fbfh.trade.gov.tw/rich/text/fhj/report/FHJP170R01.pdf.

31 Christine Genzberger, *Taiwan Business: The Portable Encyclopedia for Doing Business with Taiwan* (1994), p. 67–76, https://books.google.com/books?id=8mvN1Dc_jtAC&pg=PA67&lpq=PA67&dq=taiwan%27s+export+licensing+system&source=bl&ots=q8xhDFI-k5&sig=j5QuouFxxvvhorbcbYpxNGnOhS-w&hl=en&sa=X&ved=0ahUKewivm5Hg4tnKAhVV52MKHWNRC88Q6AEIOTAE#v=onepage&q=taiwan's%20export%20licensing%20system&f=false

32 Mark Wuebbels and Patrick Heiman, “Growing Pains – An Overview of Taiwan’s Export Control System,” *Asian Export Control Observer*, Issue 6, February/March 2005, https://www.nonproliferation.org/wp-content/themes/pitch_premium/pdfs/aeco_0502.pdf

33 “Foreign Trade Act,” *Laws & Regulations Database of The Republic of China*, amended December 11, 2013, <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=J0090004>

34 “Regulations Governing Export and Import of Strategic High-Tech Commodities,” *Bureau of Foreign Trade, Ministry of Economic Affairs*, effective 6 December 2012, http://www.trade.gov.tw/english/Pages/Detail.aspx?nodeID=102&pid=309927&dl_DateRange=all&txt_SD=&txt_ED=&txt_Keyword=&Pageid=0

NTD30,000 (~USD890) to NTD300,000 (~USD8,900) and/or suspension of trading rights or revocation of the importer’s registration.³⁵ Appendix Item 1 provides a comparison of other entities’ violation penalties.

Other legislation regulates specific groups of sensitive items. The National Defense Technology Institute (NDTI) Regulations and the Bylaws of the Armaments Bureau regulate items produced by Taiwan’s military. The Act for Establishment and Administration of Science Parks controls items produced by the Hsin-Chu Science Park. Two laws primarily govern controls on nuclear and radiological materials: the Operational Materials and Equipment Capable of Producing Ionizing Radiation and Associated Practice, as well as the Ionizing Radiation Protection Act. Per Article 12 of the Foreign Trade Act, the MOEA regulates the export and import of goods by military organizations in conjunction with the Ministry of National Defense.

KEY ORGANIZATIONS IN TAIWAN’S EXPORT-CONTROL SYSTEM

The BOFT (Chinese: 經濟部國際貿易局) within the MOEA primarily regulates Taiwan’s foreign trade administration. The BOFT plays a major role in the formulation of export-control policy. This includes administering the import/export regime, providing guidance to trade businesses, issuing licenses, conducting inspections, monitoring the operations of registered importers and exporters, and managing trade security.³⁶

Under Article 5 of the Foreign Trade Act, the “competent authority [e.g. the MOEA] in conjunction with the appropriate government authority or authorities [i.e. the Ministry of National Defense, the Ministry of Finance] propose to the Executive Yuan [branch of government] for an approval to the ban and control of trading activities with specific countries or territories” that must be later verified by the Legislative Yuan.

A number of agencies regulate commodities, including the Industrial Development Bureau, the Atomic Energy Council, the Ministry of Defense, and the National Police Agency. These groups help to provide information about commodity end-use and end-users, examining whether the end-use supplied by the end-users and the actual use of particular export commodities correspond.³⁷ They also assisted with the creation of various control lists. For example, the Ministry of Defense created

35 Bruce Chien, “Taiwan’s Export Control Regime,” Export Control Task Force, Chinese Taipei, 7 February 2012, http://supportoffice.jp/outreach/2011/asian_ec/2-1-2_Chinese_Taipei.pdf

36 BOFT’s Policy Goals and Major Functions for 2013, Bureau of Foreign Trade, Ministry of Economic Affairs, 26 February 2013, http://www.trade.gov.tw/english/Pages/Detail.aspx?nodeID=81&pid=425917&dl_DateRange=all&txt_SD=&txt_ED=&txt_Keyword=&Pageid=0; Christine Genzberger, *Taiwan Business: The Portable Encyclopedia for Doing Business with Taiwan*, 1994, p. 67-76

37 Yu-Ning Hwang, “Good Practices in Detection/Enforcement of Strategic Trade Controls,” Workshop on Strategic Trade Controls Taipei, National Chengchi University, 3 September 2014, Taiwan, http://csis.org/files/attachments/140902_YuNingHwang.pdf

Taiwan’s control list for missile-related items (which parallels the MTCR), and the Atomic Energy Council created the control lists relating to goods covered by the Nuclear Suppliers Group.

According to interviews with Taiwanese officials responsible for implementing Taiwan’s STCs, officials responsible for licensing actions and enforcements reportedly have good interdepartmental relationships that facilitate information sharing and joint work.³⁸ According to one Taiwanese official, officials commonly call up others from a different bureau to discuss an issue of concern or a potential licensing or enforcement action.³⁹

LICENSING PROCEDURES IN TAIWAN

As noted in a previous section, the MOEA oversees export controls for items listed in Taiwan’s tariff schedule. To comply with World Trade Organization commitments, Taiwan has eliminated nearly 99 percent of its import controls on 11,213 official import categories. As of 2015, 125 product categories faced import restrictions, including fifteen categories that require import permits from BOFT and 110 prohibited categories.⁴⁰ Public sanitation and national-defense-related categories require permits as well as some agricultural products and ammunition.

All importers and exporters of strategic goods and technologies in Taiwan must register and apply for permits. In most cases, importers and exporters submit their applications to BOFT for review. Though BOFT is Taiwan’s primary licensing agency, licensing exports of proliferation-sensitive items involves several agencies. BOFT works together with these agencies to “simplify and reduce export restrictions.”⁴¹ The Export Processing Zone Administration licenses items produced within export processing zones. The Science and Industrial Park Authority licenses items produced at the Hsin-Chu Science Park and other similar parks. BOFT licenses export operations involving state military operations and MTCR-related items in conjunction with the Ministry of National Defense. The Directorate of Customs Administration (Ministry of Finance) engages in legislation enforcement and illegal export prevention.⁴²

The Directorate General of Customs prevents smuggling, analyzes customs-clearing information, and performs post-customs audits of imports and exports. Overseas governmental organizations and

38 Interviews with Taiwanese officials, Melissa Hanham and Catherine Dill, Taipei, July 2016 and November 2016; email interviews with Taiwanese officials, Melissa Hanham and Catherine Dill, November-December 2016

39 Interview with Taiwanese official, Melissa Hanham and Catherine Dill, Taipei, July 2016.

40 “Introduction to the export regulatory work,” Bureau of Foreign Trade, Ministry of Foreign Affairs, 20 October 2011, http://www.trade.gov.tw/english/Pages/Detail.aspx?nodeID=102&pid=309914&dl_DateRange=all&txt_SD=&txt_ED=&txt_Keyword=export&Pageid=0.

41 “Introduction to the Export Regulatory Work,” Bureau of Foreign Trade, Ministry of Foreign Affairs, 20 October 2011, http://www.trade.gov.tw/english/Pages/Detail.aspx?nodeID=102&pid=309914&dl_DateRange=all&txt_SD=&txt_ED=&txt_Keyword=export&Pageid=0.

42 Mark Wuebbels and Patrick Heiman, “Growing Pains – An Overview of Taiwan’s Export Control System,” Asian Export Control Observer, Issue 6, February/March 2005, https://www.nonproliferation.org/wp-content/themes/pitch_premium/pdfs/aeco_0502.pdf.

intelligence agencies must verify the end-use(r) of exports and provide information about whether an overseas trading partner is involved in weapons proliferation.

During interviews, Taiwanese trade-control officials indicated that they generally avoid granting risky licenses, opting to deny a license rather than risk an incident.⁴³ In one case, an official voiced fear of legal reprisal from companies that felt licensing decisions unnecessarily disrupted business.⁴⁴ However, CNS found no basis for this reservation in its research.

Taiwanese licensers also expressed eagerness to understand the ramifications of the “relaxation” of trade regulation with Iran as a result of the July 2015 Joint Comprehensive Plan of Action, but no Taiwanese companies have requested formal licenses as of July 2016.⁴⁵

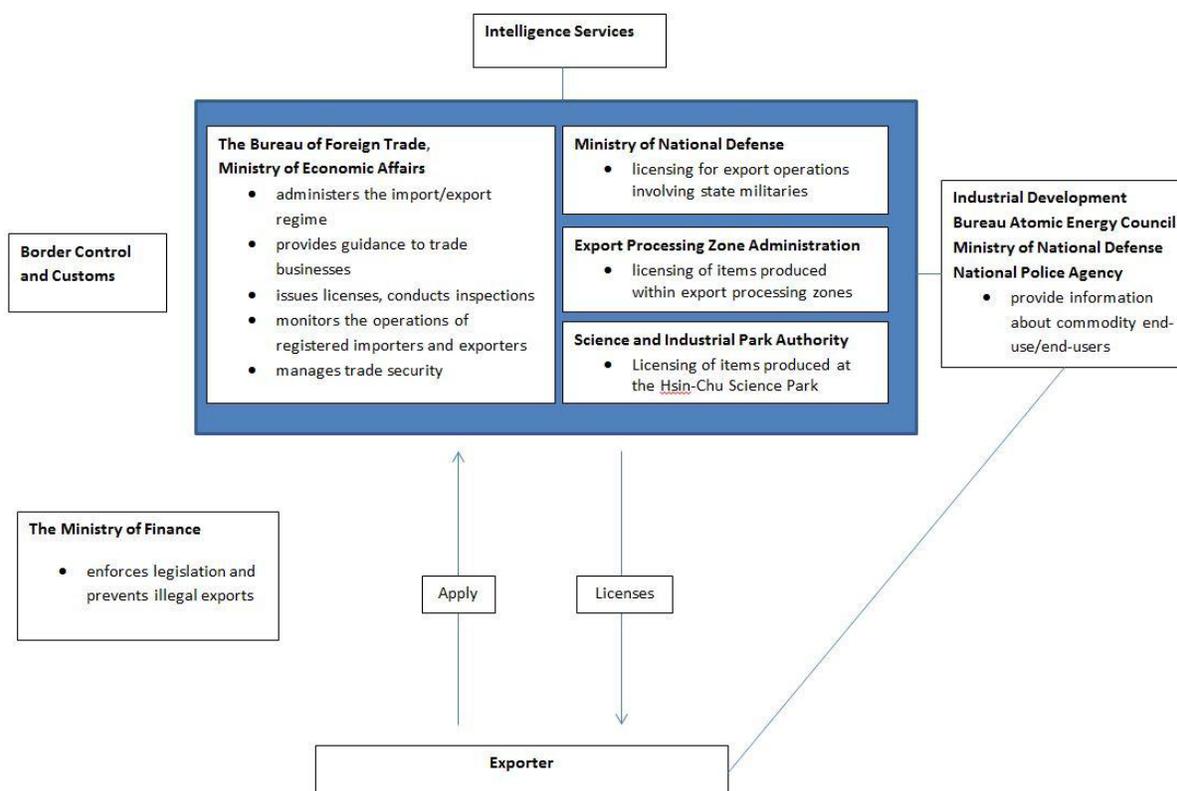


FIGURE 2: DIAGRAM OF MAJOR TAIWANESE AGENCIES INVOLVED IN LICENSING

43 Interviews with Taiwanese officials, Melissa Hanham and Catherine Dill, Taipei, July 2016 and November 2016; email interviews with Taiwanese officials, Melissa Hanham and Catherine Dill, November-December 2016

44 Interview, Melissa Hanham, Taipei, 2013.

45 Interviews, Melissa Hanham and Catherine Dill, Taipei, July 2016.

BOFT works with other agencies to determine the end-use and end-user for license applications. Because the international system excludes Taiwan, it relies largely on internal intelligence services for end-use(r) verification. The Industrial Technology Research Institution performs ECCN verification, and the Industrial Development Bureau determines end-use verification.⁴⁶

CUSTOMS IN TAIWAN

The Taiwan Customs Act provides the legal authority for customs clearance procedures and levying of tariffs. Three agencies enforce Taiwan’s laws and regulations related to customs: the Department of Customs Administration; the Directorate General of Customs; and the Customs Tariff Commission. The customs clearance process in Taiwan can be divided into five steps:

- » declaration
- » examination
- » classification and valuation
- » payment of customs duties
- » release

Taiwanese Customs works closely with BOFT, utilizing automated checks between customs declarations and export permits. During interviews, Taiwanese officials emphasized the close relationship between Customs and BOFT. BOFT gives inquiries from Customs high priority, and both agencies hold regular meetings and communicate closely by phone and email.⁴⁷

TAIWAN’S INTERNAL COMPLIANCE PROGRAM AND INDUSTRY OUTREACH

Taiwan has developed a comprehensive internal compliance program (ICP) for businesses and established a dedicated webpage on the BOFT website in 2009. In 2012, Taiwan founded its ICP association and set its ICP measures and important points. In 2010, Taiwan’s ICP program included only one company, but by 2015, it included forty-eight companies. Taiwan’s ICP website outlines three steps for establishing an ICP: understanding the ICP; developing ICP manuals; and implementing an ICP. Taiwanese companies that adopt an ICP receive benefits such as expedited licensing procedures.

⁴⁶ Interviews, Melissa Hanham and Catherine Dill, Taipei, July 2016.

⁴⁷ Interviews with Taiwanese officials, Melissa Hanham and Catherine Dill, Taipei, July 2016 and November 2016; email interviews with Taiwanese officials, Melissa Hanham and Catherine Dill, November-December 2016

According to interviews, Taiwanese officials have aggressively reached out to industries and companies producing and exporting items over the past five to seven years, and Taiwanese industry participants’ interest in ICP certification grew substantially.⁴⁸ Large companies that constitute part of an international supply chain easily adopted ICPs; however, small and medium-sized companies remain reluctant to allocate resources to the program.⁴⁹

SCIENCE PARKS

In 1979, Taiwan promulgated the Act for Establishment and Administration of Science Parks, which sought to establish science parks for the purpose of “attracting high-tech industries and professionals, encouraging research and innovation of domestic industries and enhancing the technology of local high-tech industries.” Today, Taiwan has five science parks, including the largest at Hsinchu.

As per Article 19 of the Act, Taiwan’s National Science Council governs the import and export of trade relating to park goods in consultation with concerned authorities. According to Article 23, park enterprises must complete customs clearance in accordance with customs laws for the import and export of goods. Article 29 states that any goods imported by a park enterprise that is found to be involved in smuggling and other violations shall be dealt with in accordance with the Customs Preventive Law and other relevant laws. Park administration and Customs may make spot checks or recheck park enterprises’ monthly declarations of items handled and self-inspections of inbound and outbound goods. In the case of serious violations, Customs may send a report to the park administration for approval to revoke the enterprise’s privileges of self-inspection and monthly declaration. Science-based industrial parks that “produce wholly for export” may import banned manufacturing components and raw materials from mainland China.

The Science Park Administration also benefitted from becoming a de facto hub for companies interested in improving their compliance. In 2013, a Science Park Administration official visited a similar outreach group in the United States’s Silicon Valley.

SMUGGLING IN TAIWAN

Under Taiwan’s Customs Anti-Smuggling Act, “smuggling” is defined as the shipment of cargoes into or out of Taiwan “without making a declaration to customs [which] thus results in an avoidance of customs inspections, evasion of customs duties, or escape control of customs.”

According to one study examining the role of economic integration and illicit network operation, economic integration can provide illicit networks with easier access to legitimate markets, increasing the “quality and density of infrastructural links” between two countries. During the Chen Shui-bian

48 Interviews with Taiwanese officials, Melissa Hanham and Catherine Dill, Taipei, July 2016 and November 2016; email interviews with Taiwanese officials, Melissa Hanham and Catherine Dill, November-December 2016

49 Interview, Melissa Hanham, Taipei, 2013

administration (2000–08), economic integration increased between Taiwan and China despite high levels of political hostilities. However, cross-strait cooperation on illicit networks remained informal and rare, and the number of direct transportation links between China and Taiwan remained relatively low. Nevertheless, study tours and academic conferences enabled some contact between law enforcement officials, leading to several successes in combating illicit procurement networks.

Increasing cross-strait economic integration enabled Taiwanese citizens to establish illicit procurement networks in a number of ways: using the cover of legitimate businesses, working with partners on the mainland to “prey on Taiwanese or Chinese living on the mainland,” and smuggling goods and people into Taiwan. In the absence of adequate cross-strait transportation links under the Chen administration, Taiwanese businessmen often flew from Taiwan into Hong Kong on Taiwanese carriers and then switched to Hong Kong- or China-based carriers to fly into the mainland. Illicit networks also used direct routes such as private boats, which include fishing boats and cargo ships.

During Ma Ying-jeou’s first term (2008–12), Taiwan and China signed agreements aimed at deepening economic cooperation, increasing diversity and frequency of transportation links, and formalizing law enforcement cooperation. In 2009, Taiwan’s Straits Education Foundation and China’s Association for Relations Across the Taiwan Strait signed the “Cross-Strait Joint Crime-Fighting and Judicial Mutual Assistance Agreement” to formalize cross-strait law-enforcement cooperation. The agreement aimed to combat illicit networks by:

- » reducing the ability of illicit networks to arbitrage any differences in the laws and procedures of the Taiwanese and Chinese judicial systems;
- » preventing criminals from one side from easily taking refuge in the other;
- » harmonizing the information that both law-enforcement systems possessed on illicit networks; and
- » expediting cooperation on criminal investigations through changes in overall political conditions.

The structure of illicit networks operating across the Taiwan Strait, however, does not seem to have undergone significant changes between the Chen and Ma administrations, although networks appear to have taken advantage of new routes and methods.

Like much of Southeast Asia, entities in Taiwan heavily participate in the trade of heroin and methamphetamine. The expansion of trade between China and Taiwan, the “corresponding increase in economic activity by Taiwanese businessmen,” and the opening of the “three mini-links” allowed traffickers to piggyback on legitimate trade routes and operations.⁵⁰ Established in 2001, the three mini-links opened direct trade, transportation, and postal channels between Taiwan’s Kinmin and Matsu islands and the mainland ports of Xiamen and Fuzhou.

50 Justin V. Hastings, “The dynamics of cross-Strait illicit networks in the context of globalization” in “Globalization and Security Relations Across the Taiwan Strait: In the Shadow of China,” Ming-chin Monique Chu and Scott L. Kastner, eds., p. 148.

A survey of various media reports suggests heroin-smuggling cases often involve human couriers. In 2013, Taiwanese officials seized a shipment of heroin valued at roughly USD 380 million at the Taoyuan International Airport. In this case, smugglers hid 229 kilograms of heroin inside hi-fi stereos. Authorities believe that the heroin originated in Myanmar and transited through Vietnam. The Criminal Investigation Bureau, Kaohsiung prosecutors, the Aviation Police Office, the Customs Administration, and the two Greater Taipei police departments coordinated the operation. In June 2015, officials arrested two Taiwanese men at Bangkok’s Suvarnabhumi Airport for attempting to smuggle 12 kilograms of methamphetamine to Auckland, New Zealand. The *Taipei Times* reports a total of 156 Taiwanese nationals imprisoned in Thailand, “most of whom have been convicted of drug trafficking or smuggling.”⁵¹

ENFORCING EXPORT CONTROLS IN TAIWAN

Taiwanese enforcement officers were most difficult to get access to and information from during the interview process. They were reluctant to answer questions about the licensing process and investigation or prosecution of export control violations.

Taiwan explicitly restricts strategic trade between Iran, Iraq, North Korea, Sudan, Syria, and mainland China (for twelve categories of semi-conductor equipment). Taipei will typically pursue criminal penalties in addition to administrative penalties for illicit dual-use trade to these destinations. Illicit trade to other destinations will likely only receive administrative penalties.⁵² An official investigation will try to establish the intent of the individuals involved. Some prosecutors and investigators receive special training for export control cases. However, of those officials known to CNS in 2013, none had prosecuted a trade violation by 2016.⁵³

Taiwan’s unusual political situation presents the primary challenge for enforcing export controls. Even when investigators have knowledge of wrongdoing outside their jurisdiction, their lack of access to the international system prevents them from acting upon it. Meaningful engagement with mainland China remains even more challenging despite the enormous amount of trade that flows across the Strait. Licensing and enforcement officials can only engage at high levels through official channels, so confusion exists between Taiwan and China regarding strategic control measures on both sides of the Strait.

Additionally, transshipment potential presents a major concern among experts and Taiwanese officials alike. When asked about Taiwan’s possible concerns regarding illicit procurement trends and strategic trade controls implementation, one Taiwanese official noted that concerns about Taiwan as a

51 “Taiwanese Accused of Drug Smuggling Detained in Thailand,” *The Taipei Times*, 26 June 2015, <http://www.taipaitimes.com/News/taiwan/archives/2015/06/26/2003621619>.

52 Interviews with Taiwanese officials, Melissa Hanham and Catherine Dill, Taipei, July 2016 and November 2016; email interviews with Taiwanese officials, Melissa Hanham and Catherine Dill, November-December 2016

53 Interviews with Taiwanese officials, Melissa Hanham and Catherine Dill, Taipei, July 2016 and November 2016; email interviews with Taiwanese officials, Melissa Hanham and Catherine Dill, November-December 2016

transshipment hub persist.⁵⁴ The official noted positively that those within the Taiwanese government with customs responsibilities often seek guidance from other experts within the government about how best to implement provisions contained within UN Security Council Resolution 2270, which expanded the arms embargo on the DPRK.⁵⁵

Some violations are a result of corrupt officials. In August 2013, twenty customs officials working at Taiwan’s Kaohsiung shipping hub accepted kickbacks in exchange for forgoing inspections or ignoring fraudulent export documents on used machinery components imported from Japan by Taiwanese merchants. These components included vacuum pumps and ball-bearing components that can be used in nuclear reactors.⁵⁶

While implementing counterproliferation finance guidelines, Taiwanese officials reported positive working relationships with financial institutions and noted that financial institutions routinely seek guidance from regulators on implementing strategic trade controls related to financial controls, especially on secondary sanctions issues.⁵⁷

EXPORT-CONTROL VIOLATIONS 2003–16

KEY FINDINGS

Taiwanese individuals and businesses operating in Taiwan and abroad have engaged in the illicit procurement of dual-use and WMD-related materials and technologies. A search for cases related to violations of Taiwan’s trade laws revealed twelve Taiwan district court cases and numerous media reports involving trade violations. The cases detailed in this report occurred from 2003 to 2015.⁵⁸

The trade violations identified in this report involved exports or attempted exports to the DPRK, China, Iran, Libya, and Myanmar. In many of these cases, Taiwanese companies or individuals operating in Taiwan or abroad used Taiwan as a transshipment point, and they would frequently falsify or alter end-use or end-user information. The offense cited most frequently in Taiwan’s district

54 Interview with Taiwanese official, Catherine Dill, Taipei, November 2016

55 United Nations Security Council, S/RES/2270, March 2, 2016, <http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2270%282016%29>.

56 The Nuclear Threat Initiative, “Report Cites Hundreds of Violations of Taiwan’s Strategic Export Controls,” Global Security Newswire, 8 October 2013, <http://www.nti.org/gsn/article/records-show-hundreds-violations-taiwans-export-controls/>.

57 Interviews with Taiwanese officials, Melissa Hanham and Catherine Dill, Taipei, July 2016 and November 2016; email interviews with Taiwanese officials, Melissa Hanham and Catherine Dill, November-December 2016.

58 See Appendix item 4, Full List of Cases.

court cases involved unauthorized exports to restricted areas and violations of Article 17 of Taiwan’s Foreign Trade Act.⁵⁹

Many court cases did not indicate the port of entry and exit for the goods in question. However, a majority of the companies identified in this report have offices in Taipei and Taichung. According to one source, though Kaohsiung is Taiwan’s hub for foreign ships, DPRK ships have dominated Taichung, Keelung, and Hualien.⁶⁰ In one case, a model MH-500 horizontal machining center with standard and optional accessories bought from China was shipped via Taiwan’s Taichung Port to Nampo Bay in the DPRK aboard the *Pong Yue*, a general cargo ship sailing under the flag of the DPRK.⁶¹

Many of the items involved in these case studies included items designated by Taiwanese law as SHTCs that originated from China, Japan, the United States, and Taiwan. The Appendix fully lists these cases in item 4. A comprehensive search found no indication of export control cases that remain unprosecuted by Taiwan.

SOURCES AND METHODOLOGY

This report incorporates information on illegal export cases from a number of sources including: Taiwan district court cases; news reports published in Chinese, Farsi, and English; government and academic publications; in-person and email interviews; and open-source data sets, including Taiwanese court cases, the Panama Papers,⁶² company websites, and major export control entities lists.

Researchers collected twelve district court cases involving the illicit procurement and transfer of goods through Taiwan from 2003 to 2012 through Taiwan’s court database, using the search term “trade law violation” (Chinese: 違反貿易法). The breakdown of the number of cases per district is as follows:

59 See Appendix item 3.

60 C’esar Ducruet, Stanislas Roussin, and Jin-Cheol Jo, “Political and economic factors in the evolution of North Korea’s maritime connections,” *Journal of International Logistics and Trade*, 2009, 7 (1), pp.1-23, <https://halshs.archives-ouvertes.fr/halshs-00459022/document>

61 “Pong Yue – General Cargo Ship,” IMO 8990548, Vesselfinder, <https://www.vesselfinder.com/vessels/PONG-YUE-IMO-8990548>.

62 The Panama Papers is the commonly known name for a leak of approximately 11.5 million files from the Panama-based Mossack Fonseca law firm. The fourth largest law firm in the world, Mossack Fonseca offers services such as wealth management and the incorporation of companies in offshore jurisdictions. While these actions alone are legal in most countries, they can be used to hide assets from corruption, crime, terrorism, and proliferation authorities. A German newspaper, *Süddeutsche Zeitung*, received the leaked files from an anonymous source and shared them with the International Consortium of Investigative Journalists, which created public databases from the files.

District Court	Number of Cases
Shihlin	2
Taoyuan	1
Taichung	3 in District Court; 1 in High Court
Taipei	2
Tainan	1

PANAMA PAPERS

This report used the Panama Papers (PP) databases to investigate whether any listed Taiwanese entities engaged in export violations in relation to Iran, Iraq, the DPRK, or Libya. The PP databases contain four classifications: intermediaries, entities, officers, and addresses. Entities are typically companies, addresses are registered addresses, and officers are individuals or corporate shareholders.

The research team adopted two approaches in compiling this report. First, the team performed searches in the PP database using the twenty-five identified cases to see if any matches occurred. If a match occurred, the team would then identify any common features in the entity’s network, such as a shared intermediary or a shared offshore address. Second, the team collected all addresses in the PP database in Iran, Iraq, the DPRK, and Libya, and they examined whether the entities, intermediaries, or officers associated with that address had connections to any addresses, entities, intermediaries or officers in Taiwan.

The first method produced one match between the PP database and the case set of this report. Answer Technology Corporation, a company implicated in a 2008 case, is listed in the Panama Papers database as the director, secretary, and shareholder of Ambition Technology Corporation, an entity registered in Samoa. Ambition Technology is also connected to one Hong Kong address, one Samoan intermediary, and one Taiwanese intermediary. Ambition technology has no attributable relationship to Iran, Iraq, the DPRK, or Libya. This network is visualized in Figure 3. Since only one match occurred, no network or common features could be identified for further investigation.

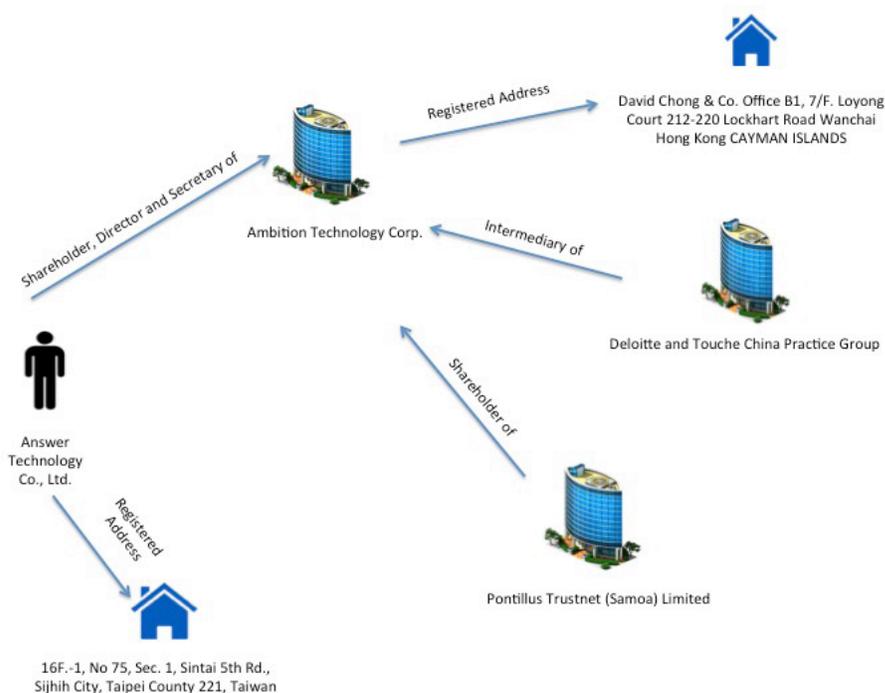


FIGURE 3: VISUALIZATION OF ANSWER TECHNOLOGY RELATIONSHIPS.

SOURCE: PANAMA PAPERS.

Using the second method, the research team identified ninety-eight addresses in the four restricted countries, but they did not find any connections between these addresses and any Taiwanese entity, address, officer, or intermediary. As such, this report did not identify any suspicious entities in Taiwan through the PP database. The authors of this report also conducted searches for Taiwanese entities listed in the US Office of Foreign Asset Control, European Union, and Japanese sanctions lists, and confirmed that all such entities had already been prosecuted.

CASE OVERVIEW

CNS identified a total of twenty-five export-control cases through open-source research using publicly available datasets. The two graphs below illustrate the origins and destinations of the items in these cases. The full list of cases is available in Appendix item 4. The UN Panel of Experts on the DPRK also tracks illicit trade to North Korea via Taiwan from afar. Without diplomatic access to Taiwanese officials, UN officials remain at an investigative disadvantage unless individuals and companies choose to engage them. Nonetheless, the Panel has produced a number of rich case studies available to the public on the UN Security Council’s website.⁶³

⁶³ Security Council Committee Established Pursuant to Resolution 1718, “Reports,” https://www.un.org/sc/suborg/en/sanctions/1718/panel_experts/reports.

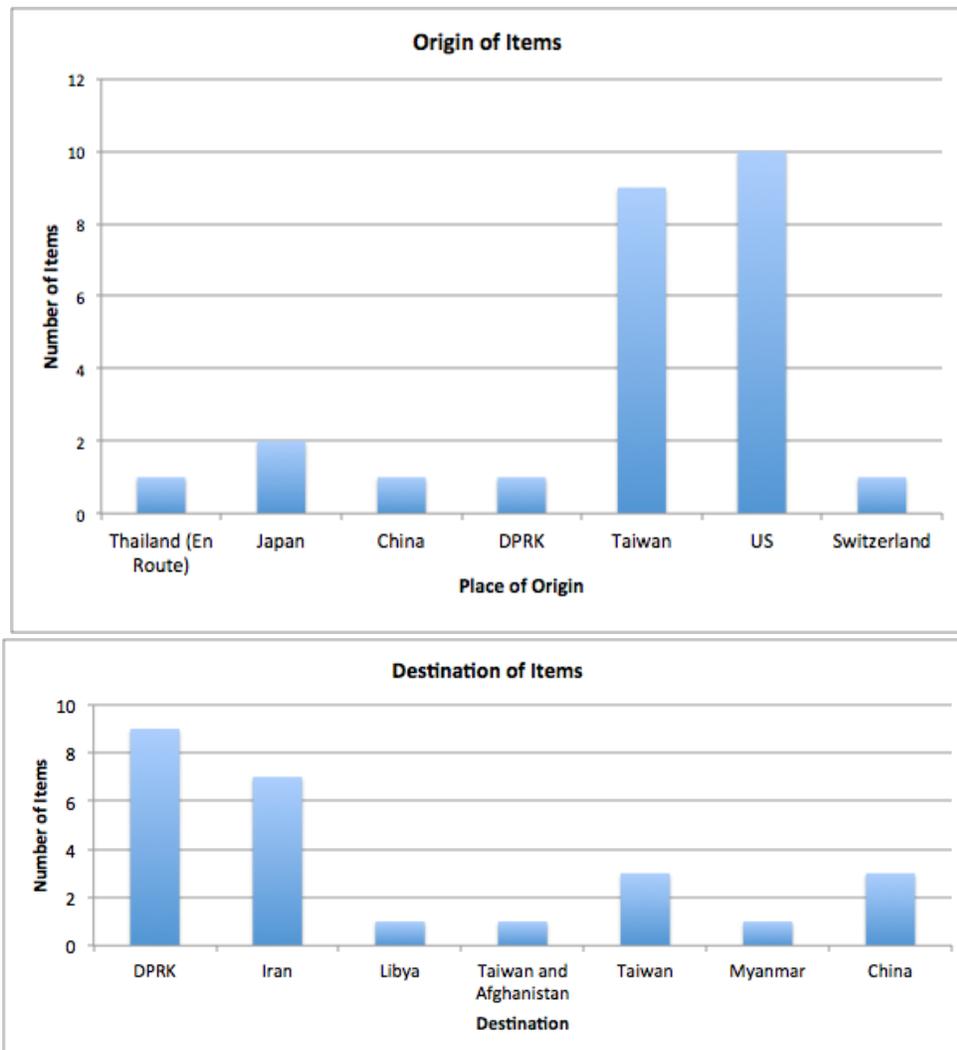


FIGURE 4: ORIGIN AND DESTINATION OF ITEMS IN PROSECUTED EXPORT-CONTROL CASES.

CASE STUDIES

HO LI ENTERPRISES⁶⁴

In 2011, the Shinli District Court in Taiwan prosecuted Ho Li Enterprises Limited (禾秝企業有限公司) and its owner, Huang Tingzhou (黃廷洲), for exporting Computer Numeric Control (CNC) lathes to the DPRK via mainland China, specifically to Dandong Fang Lian, a Chinese company based in Dandong with suspected ties to the DPRK.

CNC machines are automated machine tools that can be precisely programmed for more advanced activities than can be achieved by human control alone. This technology could allow North Korea to move the manufacturing of dual-use items inside its borders, creating major concern among trade officials.

Taiwanese authorities took action against Ho Li in 2010, confirming that they “raided a company [Ho Li] suspected of shipping banned machinery to North Korea via a Chinese firm with ties to Pyongyang’s military.”⁶⁵ Huang confirmed the raid on Ho Li’s premises in July 2010 and accused the US government of tipping off Taiwanese authorities. Both Taiwanese law enforcement and the American Institute in Taiwan declined to comment on US involvement in the case.⁶⁶ In an interview with the Associated Press, Huang added that while he knew the tools ended up in North Korea, “he had no idea how they would be used or why they would appear on any list of sanctioned items.”⁶⁷

A Taiwanese official from the Ministry of Justice’s Investigation Bureau anonymously claimed that they found “emails and money transfer documents” that suggested Huang knew the final destination of the machine tools. The official further claimed that the machine tools “ended up in the DPRK’s Sinuiju region, which is a gateway for many Chinese goods entering North Korea.”⁶⁸ According to an article in the Chinese-language *Liberty Times*, the contract between Ho Li and Dandong Fang Lian clearly lists the DPRK as the items’ final destination.⁶⁹

64 This report identified six articles in Farsi-language media, but these were all reposts based on English-language sources that have been covered.

65 Debby Wu, “Official confirms raiding firm over N Korea sales,” *Taipei Times*, 8 September 2010, <http://www.taipetimes.com/News/taiwan/print/2010/09/08/2003482377>

66 Debby Wu, “Official confirms raiding firm over N Korea sales,” *Taipei Times*, 8 September 2010, <http://www.taipetimes.com/News/taiwan/print/2010/09/08/2003482377>

67 Debby Wu, “Official confirms raiding firm over N Korea sales,” *Taipei Times*, 8 September 2010, <http://www.taipetimes.com/News/taiwan/print/2010/09/08/2003482377>

68 Debby Wu, “Official confirms raiding firm over N Korea sales,” *Taipei Times*, 8 September 2010, <http://www.taipetimes.com/News/taiwan/print/2010/09/08/2003482377>

69 張文川, “明知故犯！禾秝賣北韓管制品被訴,” *Liberty Times Net*, 15 August 2011, <http://news.ltn.com.tw/news/society/paper/516465>

Ho Li Enterprises is a Taiwanese company that exports heavy machinery, which includes CNC lathes. Ho Li reached a purchase agreement with Dandong Fang Lian in 2008, agreeing to export two CNC lathes and one milling machine for a sum of 174,000 USD.⁷⁰ The two CNC lathes would ship first.

After receiving payment from Dandong Fang Lian, Huang supplied false information to Dongbei Export Reporting Agency [東北報關行] with the intent to deceive the Taizhong customs office. The Dongbei agency passed this information on to a second export-reporting agency, Huabei Export Reporting Limited [華平報關股份有限公司], resulting in a falsified export declaration that listed the final destination of the lathes as Dalian in the mainland.⁷¹ These links are demonstrated in Figure 5.

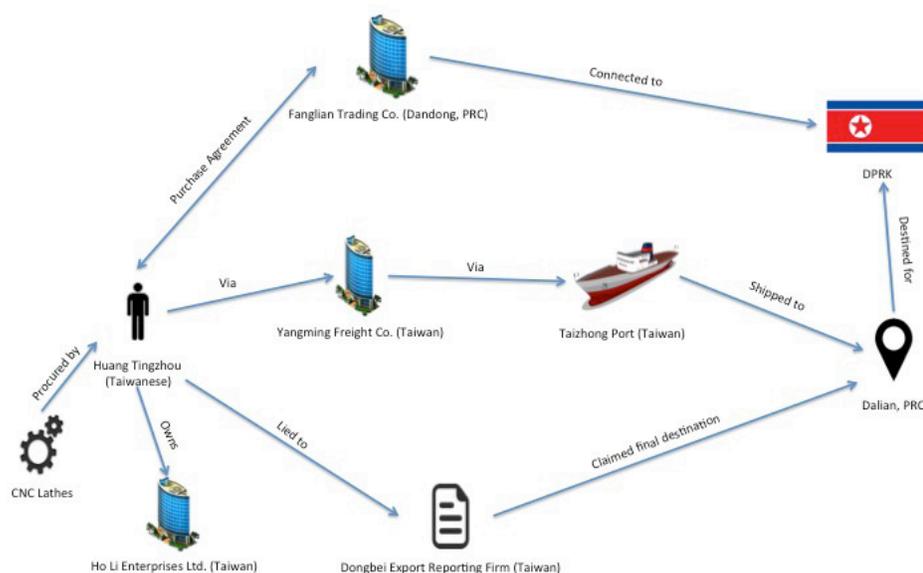


FIGURE 5: VISUALIZATION OF HO LI TRANSACTIONS

70 張文川, “明知故犯！禾秭賣北韓管制製品被訴”, Liberty Times Net, 15 August 2011, <http://news.ltn.com.tw/news/society/paper/516465>

71 Shilin District Court, 臺灣士林地方法院, 100年度審簡字第1281號, 2011 Court Records No. 1281, Judgement, p. 2.

The court convicted Ho Li Enterprises Limited for violating Taiwan’s SHTC export control regime and fined the company NTD100,000. The court convicted Huang for falsifying documentation (登載不實文書罪) and sentenced him to prison for six months, commutable by a fine of NTD 1,000 per day.⁷²

According to the Taiwanese government’s online portal, datagovtw.com, Ho Li Enterprises Limited remains active and registered at an address in Shinbei with Huang as its director.⁷³ The company’s recent activities may still create concern among authorities: an article published in 2013 in the *Liberty Times Net* described Ho Li’s violations in 2010 while also accusing it of “using the same method to export CNC components (CNC 分度盤) to the DPRK in the previous year [2012].”⁷⁴

The research team contacted the journalist who wrote the 2013 article, and he provided data supplied by BOFT that indicates Ho Li exported a 2-Axis CNC Lathe (CNC 雙軸分度盤) in 2012; however, the documents did not specify the shipping destination or method.⁷⁵ No court record addresses this incident, suggesting that if the item required a license, Ho Li may have only received administrative fines for the transfer.

HOSODA

On April 16, 2015, the US District Court in the Southern District of Texas indicted five individuals and four companies on twenty-four counts related to illegally exporting sensitive military technology to Iran.⁷⁶ The court indicted Arthur Shyu and Hosoda Taiwan Co Ltd among others. Arthur Shyu, also known as Shu Chen-chung, was the Senior Manager of Hosoda Taiwan Co Ltd, which is the Taiwanese branch of the Japanese company Hosoda Trading Co Ltd.⁷⁷

According to the US court document, from around January 2010 onward, the indicted entities “did unlawfully, willfully, and knowingly combine, conspire, confederate, and agree with each other to commit offenses against the United States, to wit, to willfully violate IEEPA, the ITS (and ITSR) and the EAR in violation of Title 50, US code Section 1705, and title 31, Code of Federal Regulations, Part 560, and Title 15, Code of Federal Regulations Parts 730-774.”⁷⁸

Bahram Mechanic, acting as the principal of sister companies Faratel Co (Iran-based) and Smart Power Systems, Inc. (Texas-based), organized and led a procurement network for the “purpose of

72 Shilin District Court, 臺灣士林地方法院, 100年度審簡字第1281號, 2011 Court Records No. 1281, Judgement, p. 1.

73 Taiwanese Government’s Open Data Platform, “禾秝企業有限公司,” <http://datagovtw.com/company.php?id=80655971>.

74 曾韋禎, “管制物資輸中鬆綁 立委: 台灣成反恐漏洞,” *Liberty Times Net*, 8 May 2013, <http://news.ltn.com.tw/news/politics/paper/677298>.

75 曾韋禎 is a journalist working at the *Liberty Times* and agreed to be quoted in this report on December 6, 2016.

76 United States District Court in the Southern District of Texas, Grand Jury Indictment: United States of America v Bahram Mechanic, Khosrow Afghahi, Tooraj Faridi, Faratel Co, Smart Power Systems Inc, Arthur Shyu, Hosoda Taiwan Co Ltd, Matin Sadeghi, and Golsad Istanbul Trading Ltd, April 2015.

77 *Hosoda Trading Company, Ltd*, 2016, <http://www.hosoda-jp.co.jp/engindex.html>.

78 USA v Bahram Mechanic et al, para. 21.

acquiring sensitive items and other goods on behalf of entities in Iran.”⁷⁹ Over the period investigated, these entities obtained at least 28 million parts valued at approximately USD 24 million. These shipments consisted primarily of microelectronics such as microcontrollers, digital signal processors, and uninterruptable power supply technology, and they were often routed through third party countries such as Taiwan and Turkey.⁸⁰

Shyu and Hosoda played a critical role within this network. Faratel initiated the procurement process and provided lists of goods to Mechanic. Once Mechanic approved the orders, they were forwarded to Shyu, and by association, Hosoda, to be filled. Shyu would acquire these goods from sources worldwide through Hosoda and ship said items directly to Iran or through Turkey. In Turkey, another defendant, Sadeghi, acted as a false, or “cut off” buyer through his company, Golsad. Golsad would then forward the items to Faratel in Iran.⁸¹

Shyu and Hosoda also engaged in techniques meant to conceal these illicit activities, including disguising activity through payment methods. Faratel would initiate payment to Golsad in Turkey, which would then transfer the funds to Hosoda through a series of transactions; “the Iranian currency utilized by Faratel was converted into various other currencies including Turkish Lira, Japanese Yen, USD and Euros,” allowing money to transfer to Taiwan without alerting banking authorities. Once these funds arrived in Taiwan, the conspirators would employ “various other foreign companies to cause bank wire transfers to Singapore” so that the funds would finally reach Mechanic.⁸²

An examination of Shyu’s specific actions can shed light on the techniques used to conduct such illicit activities. First, around June 13, 2011, Shyu sent an email to Mechanic from a personal email account and “instructed him never to copy Hosoda’s business email.” In the same email, he pointed out that he could not export the parts to Iran without an export license and recommended Mechanic find a company in a country that was not on an export control list to which Shyu could ship the items. He also made three recommendations:

- » “The quotes and official order should come from the third company to Hosoda, and Shyu would pretend that the entire deal was with the third company.”
- » “The payment should come from the third company and all correspondence should be between the third company and Hosoda. Anything that mentioned Faratel should only go to Shyu’s personal email.”
- » “Once the third company received the transistors, they should not be immediately sent to Faratel. ‘The better way is to mix up other parts for shipment or make separate dispatch and also wait for some time’”⁸³

79 USA v Bahram Mechanic et al, para. 22.

80 USA v Bahram Mechanic et al, para. 24.

81 USA v Bahram Mechanic et al, para. 33.

82 USA v Bahram Mechanic et al, para. 35.

83 USA v. Bahram Mechanic et al, para. 35.

Furthermore, around November 26, 2011, Shyu sent an email to Mechanic in which he claimed that he added in “false” resistors and diodes that were not part of the original order to convince customs that Golsad, the third company in Turkey, was also ordering non export-controlled resistors.⁸⁴

Shyu also altered invoices multiple times in order to bypass authorities. For example, he recommended Mechanic modify its invoice (made in the name of Golsad) to reflect the “false” resistors and diodes in the shipment.⁸⁵ On a separate occasion on March 15, 2013, Shyu claimed in an email to Mechanic that he “changed the names of some of the parts and removed the ‘MIL-STD’ (Military Standard) from the name of one of the diodes” in order to bypass authorities.⁸⁶

The network also devised a payment system that aimed to minimize suspicions. During a telephone conversation on December 28, 2014, Khosrow Afghani, a US person and Managing Director of Faratel, discussed how to transfer funds to Hosoda with Mechanic. Afghani and Mechanic ultimately decided to conduct transfers of under USD 10,000 each week over one month periods in order to evade authorities.⁸⁷ Furthermore, in an email exchange between Shyu and Mechanic on July 17, 2011, Shyu displayed awareness of sanctioned entities when he suggested that “transferring money directly from Bank Mellat was workable” since it was an Iranian bank.⁸⁸ In a later email exchange on February 18, 2013, Shyu emphasized that “any intermediate bank ... must not able [*sic*] to find out the original sending bank is in Iran, otherwise it will be returned.”⁸⁹

These examples demonstrate Shyu’s position as procurer in the network as well as his role in formulating and employing various strategies to evade export controls. First, he utilized two parallel lines of correspondence, clearly communicating to his co-conspirators that the incriminating correspondence should be done in a private capacity. Second, he mixed innocuous and uncontrolled materials or falsified the contents of his shipments in order to bypass authorities and encouraged other parties to modify their invoices with the intention to mislead. Third, he helped formulate a payment system that purposely disguised the funds’ origins in Iran.

ROYAL TEAM CORPORATION

Royal Team Corporation (華悅國際企業股份有限公司), along with two of its staff members, was prosecuted in the Taipei District Court in 2008 for exporting around NT 10 million worth of “industrial-use computers, stainless steel hollow tubes, DVD writers, desktop computers, [and]

84 USA v. Bahram Mechanic et al, para. 38(a-b).

85 USA v. Bahram Mechanic et al, para. 38(a-b).

86 USA v Bahram Mechanic et al, para. 38(g).

87 USA v Bahram Mechanic et al, para. 38(l).

88 USA v Bahram Mechanic et al, para. 38(d).

89 USA v Bahram Mechanic et al, para. 38 (e).

laser printers” both directly and indirectly to the DPRK.⁹⁰ The company is still listed as active in the Taiwan corporate registry.⁹¹

According to Taiwanese court documents, between 2006 and 2007, two individuals identified in a news report as Liu Chenyi and Chen Shuchen⁹² exported SHTC materials to Taiwan twelve times on behalf of clients such as Korea Daesongsan Information Technology Exchange Corporation (北韓大城山信息技術交流社).⁹³

Liu was previously indicted for falsifying documentation and sentenced to seven months in prison, finishing his sentence in 2005.⁹⁴ According to the court documents, both individuals knew of the SHTC export control regime; two representatives from the Royal Team Corporation attended a talk on export controls hosted by the Ministry of Economy and briefed Liu and Chen on such matters.⁹⁵

Liu and Chen met with and received orders from Korea Daesongsan and then acquired requested materials from Advantech Corporation (研華股份有限公司),⁹⁶ which was unaware of Liu and Chen’s intentions to export to the DPRK. Advantech Corporation is an active corporation registered in Taipei. Liu and Chen then gave false information to the two companies (德威運通股份有限公司 and 鴻昇實業股份有限公司) that filed the export documentation. Officials at BOFT claimed that the two individuals declared that the items were being exported to mainland China instead of the DPRK.⁹⁷ In reality, they were shipped by an unaware third party, Macau Airlines (澳門航空股份有限公司), to the mainland or Macau, where DPRK importers would then forward them into the DPRK.⁹⁸

The court sentenced Liu to 115 days in jail and Chen to 100 days in jail and two years of probation, and it fined Royal Team Corporation NTD 50,000.⁹⁹ The sentences for both individuals were commutable to a fine at the rate of NTD 1,000 per day.

90 Taipei District Court, 臺灣臺北地方法院, 97年度易字第381號, 2008 Court Records No. 381, Judgement, p. 3.

91 Taiwanese Government’s Open Data Platform, “華悅國際企業股份有限公司,” <http://datagovtw.com/company.php?id=97441643>.

92 Hungfu Hsueh, “Two Indicted Over Illegal Exports to North Korea,” *Taiwan News*, 28 December 2007, <http://www.taiwannews.com.tw/en/news/578568>.

93 Taipei District Court, 臺灣臺北地方法院, 97年度易字第381號, 2008 Court Records No. 381, Judgement, p. 3.

94 Taipei District Court, 臺灣臺北地方法院, 97年度易字第381號, 2008 Court Records No. 381, Judgement, p. 2.

95 Taipei District Court, 臺灣臺北地方法院, 97年度易字第381號, 2008 Court Records No. 381, Judgement, p. 2.

96 “*Advantech Co Ltd*, <http://www.advantech.tw/>.

97 “Three Businesspeople Indicted for Selling Sensitive Items to N. Korea,” *The China Post [Taiwan]*, 28 December 2007, <http://www.chinapost.com.tw/taiwan/2007/12/28/136663/Three-businesspeople.htm>.

98 Taipei District Court, 臺灣臺北地方法院, 97年度易字第381號, 2008 Court Records No. 381, Judgement, p. 2.

99 Taipei District Court, 臺灣臺北地方法院, 97年度易字第381號, 2008 Court Records No. 381, Judgement, p. 1.



FIGURE 6: THE ROYAL TEAM CORPORATION AT A PYONGYANG TRADE FAIR.

SOURCE: ANNA FIFIELD, WASHINGTON POST, TWITTER ACCOUNT.

However, Royal Team Corporation remains connected to the DPRK. Images have emerged showing the Royal Team Corporation present at the Pyongyang trade fair in March 2016 (image above).¹⁰⁰ In March 2016, the South Korean government placed Royal Team Corporation on a sanctions list targeting entities with ties to the DPRK.¹⁰¹

According to an article in the Taipei Times, BOFT responded to the incident by saying that “it would not impose any further penalties” on Royal Team Corporation. An official who declined to be named further remarked that the BOFT was “trying to determine why Royal Team Corporation was sanctioned by Seoul, including whether it was due to the firm’s previous violation.” He clarified that “if is indeed related to the old case, we will not impose any new penalties on Royal Team.”¹⁰² In the same article, BOFT also claimed that Royal Team Corporation “has not applied for any SHTC export permits” since 2013.

100 Anna Fifield of the Washington Post, Twitter post, March 7, 2016, <https://twitter.com/annafifield/status/707107320468090880>.

101 陳怡文, “南韓對北韓制裁 對象包含台灣公司,” *China Times*, 8 March 2016, <http://www.chinatimes.com/realtimenews/20160308005738-260408>.

102 “No New Penalties for Firm Sanctioned by Seoul: BOFT,” *Taipei Times*, 10 March 2016, <http://www.taipetimes.com/News/biz/archives/2016/03/10/2003641195>.

SUSAN YIP CASE

Taiwanese national Susan Yip¹⁰³ was imprisoned in the United States for seeking to transship US origin dual-use goods to Iran in 2012.¹⁰⁴ Iran-based Mehrdad Foomanie and UAE-based Merdad Ansari were also named in the indictment.

The scheme involved the procurement of 105,000 components valued at around USD 2,630,800 over 1,250 transactions, including 599 transactions with sixty-three US companies between 2007 and 2011.¹⁰⁵ These components were dual-use items with, according to the indictment, utility in “nuclear weapons, missile guidance and development, secure tactical radio communications, offensive electronic warfare, military electronic countermeasures (radio jamming), and radar warning and surveillance systems.”¹⁰⁶

Court documents refer to Yip as “a broker and conduit” working on behalf of Foomanie, an Iranian procurement agent.¹⁰⁷ She used her companies in Taiwan (Hivocal Technology Co Limited., Enrich Ever Technologies Co Limited., and Kuang-Su Corporation) and in Hong Kong to facilitate some of these transactions. Front companies owned and operated by Foomanie and Ansari, including those in the United Arab Emirates, mainland China, and Hong Kong, also facilitated transshipment of the goods.¹⁰⁸ The proportion of goods routed through Yip’s Taiwanese companies remains unclear. The indictment suggests that Foomanie used Yip’s companies in Taiwan and Hong Kong because there was “no prohibition to send these goods and items to these places if the true ultimate end-user was actually in Taiwan and Hong Kong.”¹⁰⁹ In fact, the indictment does not explicitly state that goods were shipped to Yip’s Taiwan-based companies. Rather, it only states that these entities were used to make payments to US companies.¹¹⁰ However, in the case of the microwave absorbers below, the goods were apparently transshipped through and stored for a period in Taipei.

In 2008, Yip lied to a US Commerce Special Agent, naming her company in Taipei, Hivocal Technology, as the end-user for a shipment of microwave absorbers for an end-use in a

103 Also known as: Su Yeh, Su Hsin Yeh, Hsin Yen, Su Sin Yeh. Judgement, United States of America v. Susan Yip, Case Number 5:11-cr-00516-XR, US District Court, Western District of Texas, San Antonio Division, 29 October 2012.

104 ISIS has provided a case study of the Yip case: <<http://isis-online.org/isis-reports/detail/united-states-prosecutes-u.s.-based-smuggler-working-for-iran/>>.

105 NB. The indictment mostly refers to the cases involving microwave absorbers and radio frequency amplifiers in 2008. Indictment, United States of America v. Susan Yip, Mehrdad Foomanie, and Mehrdad Ansari, Case Number 5:11-cr-00516-XR, US District Court, Western District of Texas, San Antonio Division, 15 June 2011, p. 6.

106 Indictment, USA v. Susan Yip, Mehrdad Foomanie, and Mehrdad Ansari, 15 June 2011, p. 4.

107 US Attorney’s Office, “Taiwanese Citizen Sentenced to Prison for Illegally Exporting Military-Sensitive Items from the United States to Iran,” *Federal Bureau of Investigation, San Antonio Division*, 24 October 2012, <https://archives.fbi.gov/archives/sanantonio/press-releases/2012/taiwanese-citizen-sentenced-to-prison-for-illegally-exporting-military-sensitive-items-from-the-united-states-to-iran>.

108 Infinity Wise Technology; Well Smart (HK) Technology; Pinky Trading Co. Ltd.; and Wise Smart (HK) Electronics Limited; Indictment, USA v. Susan Yip, Mehrdad Foomanie, and Mehrdad Ansari, 15 June 2011, p. 7.

109 Indictment, USA v. Susan Yip, Mehrdad Foomanie, and Mehrdad Ansari, 15 June 2011, p. 9, p. 11.

110 Indictment, USA v. Susan Yip, Mehrdad Foomanie, and Mehrdad Ansari, 15 June 2011, p.10.

“telecommunication lab.”¹¹¹ This lie followed perceived difficulties in shipping the goods to the Middle East because of US licensing requirements.¹¹² Ansari later instructed Yip to store the microwave absorbers in Taiwan before shipping them to Iran.¹¹³ Yip expressed concern that Hivocal could be blacklisted by the United States.¹¹⁴ In Taipei, Hivocal underwent a US government end-use verification inspection where Yip suggested that she did not have a buyer for the microwave absorber shipment and that the microwave absorbers were stored in Taiwan.¹¹⁵

Also in 2008, Yip sought to procure some solid-state broadband high-power radio frequency amplifiers from a US company for shipment to Iran.¹¹⁶ Yip suggested she procured the goods for Chunghwa Telecom located in Taipei.¹¹⁷ Chunghwa is Taiwan’s largest telecommunications company, and the company seemed unaware of the use of their name.¹¹⁸ These goods may or may not have been shipped through Taiwan.¹¹⁹

Authorities arrested Yip in the United States after she traveled there in May 2012.¹²⁰ US courts sentenced Yip to two years in prison with three years’ supervised release after serving her term, and they ordered her to pay a “special assessment” of USD 100.¹²¹

Yip was released in 2014 and returned to Taiwan. Yip’s company, Hivocal Technology Company Ltd, still maintains an active website and appears to specialize in voice encryption devices.¹²² One of her other Taiwan-based companies, Taoyuan-based Enrich Ever Technologies Co Ltd, is “a full-service export management company.”¹²³ None of Yip’s Taiwanese companies appear to be front companies that facilitate exports to Iran. The US Bureau of Industry and Security added four of Yip’s companies in Taiwan and Hong Kong to its entity list in June 2016.¹²⁴

111 Indictment, USA v. Susan Yip, Mehrdad Foomanie, and Mehrdad Ansari, 15 June 2011, p.12.

112 Indictment, USA v. Susan Yip, Mehrdad Foomanie, and Mehrdad Ansari, 15 June 2011, p.12.

113 Indictment, USA v. Susan Yip, Mehrdad Foomanie, and Mehrdad Ansari, 15 June 2011, p.12.

114 Indictment, USA v. Susan Yip, Mehrdad Foomanie, and Mehrdad Ansari, 15 June 2011, p.13.

115 Indictment, USA v. Susan Yip, Mehrdad Foomanie, and Mehrdad Ansari, 15 June 2011, p.13.

116 Indictment, USA v. Susan Yip, Mehrdad Foomanie, and Mehrdad Ansari, 15 June 2011, p.14.

117 Indictment, USA v. Susan Yip, Mehrdad Foomanie, and Mehrdad Ansari, 15 June 2011, p.14.

118 *Chunghwa Telecom Co Ltd*, 2016, <http://www.cht.com.tw/en/>.

119 The indictment just suggests that they were shipped via the UAE with Yip requesting that a customs official be bribed by the freight forwarder. Indictment, USA v. Susan Yip, Mehrdad Foomanie, and Mehrdad Ansari, 15 June 2011, p.14.

120 Michael Cole, “Taiwanese jailed in US for illegal exports to Iran,” *Taipei Times*, 26 October 2016, <http://www.taipetimes.com/News/front/archives/2012/10/26/2003546110>.

121 Judgement, United States of America v Susan Yip.

122 *Hivocal Technologies*, <http://www.hivocal.com.tw/>; Michael Cole, “Taiwanese jailed in US for illegal exports to Iran,” *Taipei Times*, 26 October 2016, <http://www.taipetimes.com/News/front/archives/2012/10/26/2003546110>.

123 Michael Cole, “Taiwanese jailed in US for illegal exports to Iran,” *Taipei Times*, 26 October 2016, <http://www.taipetimes.com/News/front/archives/2012/10/26/2003546110>.

124 US Bureau of Industry and Security, Department of Commerce, “Addition of Certain Persons and Removal of Certain Persons from the Entity List,” 21 June 2016, <https://www.federalregister.gov/documents/2016/06/21/2016-14515/addition-of-certain-persons-and-removal-of-certain-persons-from-the-entity-list>.

In a separate case in 2015, Taiwanese national Kunlin Hsieh—a sales manager at Taiwan-based Junbon Enterprises Co Ltd—pled guilty in a US court for transshipping US dual-use goods to Iran.¹²⁵ This case involved Foomanie, the same Iranian procurement agent as the Yip case.

Researchers found no further connections between the two cases. While Junbon Enterprises Co Ltd is a Taiwanese entity, the dual-use goods were not certainly shipped through Taiwan.¹²⁶ Similar to the Hosoda case, this report identified two articles in Farsi on this case that were reposts from English-language sources.¹²⁷

RECOMMENDATIONS

Like other transjurisdictional crime, export-control violations do not occur neatly within national borders. This reality presents a special challenge for Taiwan in coordinating measures for the prevention and prosecution of export control violations. Taiwan’s international isolation prevents it from participating in the Treaty on Non-proliferation of Nuclear Weapons, the Biological and Toxin Weapons Convention, and the Chemical Weapons Convention.

Furthermore, because Taiwan is not a member of the United Nations, it has no obligation to follow UN Security Council resolutions such as UNSCR1540 or even UN sanctions against North Korea.¹²⁸ Taiwan also cannot participate in the multilateral export-controls regimes (e.g. the Wassenaar Arrangement, Nuclear Suppliers Group, Australia Group, MTCR), rendering it unable to directly obtain intelligence and reasoning behind placing specific items on control lists. However, Taiwan’s export control officials currently coordinate with Japan and the United States on these matters.¹²⁹

125 David Albright, Andrea Stricker, Daniel Schnur, and Sarah Burkhard, “Additional Taiwan-Based Element of Iranian Military Goods Procurement Network Exposed,” Institute for Science and International Security, 16 September 2015, http://isis-online.org/uploads/isis-reports/documents/Hsieh_case_study_16Sept2015-final.pdf; US Department of Justice, “Taiwanese National Pleads Guilty to Violating U.S. Sanctions on Exportation of Goods to Iran,” 25 June 2015.

126 William Lowther, “Businessman Pleads Guilty to Transshipping,” *Taipei Times*, 29 June 2015, <http://www.taipetimes.com/News/taiwan/archives/2015/06/28/2003621769>.

127 “دنیایم رود از اهدی رحمت ونوگچ ناریا” [How is Iran Going around Sanctions?], *NecoNews*, 29 November 2012, <http://www.neconews.com/prth.knqt23nkzftd2.html>; “هناریا مبن تازی هجت ینون اقیری غ شورف مرج هب، اکی رمآ رد ینز” [A US Woman was Sentenced for Allegedly Selling Illegal Equipment to Iran], Radio Farda, 16 August 2013, <http://www.radiofarda.com/a/24750866.html>.

128 UNSCR 1540 (2004) is a legally binding resolution passed by the Security Council under Chapter VII of the UN Charter, which requires that states put in place certain measures to prevent proliferation and WMD terrorism including export controls, border controls, physical protection measures and take efforts to inform industry of their obligations. UN Security Council Resolution 1540, S/RES/1540, April 28, 2004.

129 Mark Wuebbers and Patrick Heiman, “Growing Pains – An Overview of Taiwan’s Export Control System,” Asian Export Control Observer, No. 6, February/March 2005, https://www.nonproliferation.org/wp-content/themes/pitch_premium/pdfs/aeco_0502.pdf

The international community has put some mechanisms into place that allow Taiwan greater coordination with the international community. Taiwan’s nuclear facilities remain under a safeguards agreement with the United States and the IAEA. Taiwan and the United States have cooperated in the Container Security Initiative (CSI) and Megaports Initiative to detect nuclear and other radioactive cargo.¹³⁰ In February 2011, the US National Nuclear Security Administration announced the successful installation of radiation-detection equipment at Kaohsiung Port. In addition, the US Department of State has supported capacity-building initiatives for several years through the Export Control and Related Border Security program.

Taiwan has taken advantage of these types of programs to tackle tough issues like transshipment, brokering, industry outreach, and other issues that plague high-tech, high-trade jurisdictions. The United States and Japan should continue their cooperation, capacity building, and information sharing with Taiwan. Taiwan should remain vigilant as export-control activities remain ongoing efforts for all jurisdictions.

Currently, officials in Beijing and Taipei rarely interact on export controls despite the high volume of trade across the Strait. Establishing an informal channel for officials and academics involved in cross-strait export-control licensing and enforcement would help close the knowledge gap, improving cooperation in a vital area for both parties. While politically sensitive, a quarterly track-one-and-a-half meeting might foster informal relationships that would give both sides the ability to share information on transactions of interest and coordinate investigations of potential violations, filling a void in screening transactions involving cross-strait trade.

In a similar vein, Taiwan should continue to become a regional leader in designing and implementing STCs. As an industry and shipping leader, Taiwan can brand itself as a safe place to do business regardless of political status. Taiwan could facilitate informal meetings and exchanges with regional and international trade partners and industry-focused roundtables through nongovernmental organizations, and it could also benchmark events across jurisdictions to share best practices in screening transactions involving SHTC goods.

The international community should assist Taiwan in obtaining observer status at the International Criminal Police Organization (INTERPOL). In March 2016, President Obama signed a bill directing the US Department of State to develop a strategy for Taiwan to obtain observer status at INTERPOL.¹³¹ Taiwan’s bid for participation in 2016’s meeting in Bali, Indonesia, failed, but the need for Taiwan’s increased access to INTERPOL resources remains.¹³² Taiwan is one of few countries

130 Shirley A. Kan and Wayne M. Morrison, “U.S.-Taiwan Relationship: Overview of Policy Issues,” Congressional Research Service, August 4, 2011, <http://fpc.state.gov/documents/organization/170495.pdf>

131 A Bill to Direct the Secretary of State to Develop a Strategy to Obtain Observer Status for Taiwan in the International Criminal Police Organization, and for Other Purposes, S.2426, 114th Congress, 2016, <<https://www.congress.gov/bill/114th-congress/senate-bill/2426>>.

132 “Taiwan Excluded from INTERPOL Meet,” *The China Post [Taiwan]*, November 6, 2016, <<http://www.chinapost.com.tw/taiwan/national/national-news/2016/11/06/483130/Taiwan-excluded.htm>>.

with no access or contribution to INTERPOL, which has 190 members. In an interconnected world, political jurisdictions become increasingly irrelevant in crime, terrorism, and proliferation.

After the world became more conscious of the quick spread of disease, Taiwan joined the World Health Organization as an observer under the name Chinese Taipei. The world recognized that, like proliferation networks, disease does not respect political borders. Because states like North Korea readily exploit international disconnections in order to flout international law, Taiwan’s international isolation presents those states with an easy opportunity to buy and sell WMD-related items and technology. Connectivity among international actors improves global security, and Taiwan’s exclusion despite its status as a major shipping hub and leading producer of dual-use goods reduces trade security.

Additionally, penalties for violating Taiwan’s Foreign Trade Act have proven inadequate to effectively deter illegal export of SHTCs to restricted areas. Based on the documentation of Taiwan’s district court cases, the court often commutes fines for Foreign Trade Act violations. Unlike China, the Republic of Korea, and Japan, Taiwan does not peg the value of the fines to the price of the goods exported but instead has fixed penalties for administrative and criminal violations of export controls.

In FY 2009, the US Department of State and US Agency for International Development issued a foreign assistance publication on Taiwan, which advocated for “tougher laws and stricter enforcement to control the export of sensitive dual-use technologies and commodities to proscribed countries.”¹³³ The report indicated a number of ongoing problems, including that “low criminal penalties for violations, unrefined technology controls, a lack of activity based controls (brokering) in legal frameworks, and interagency coordination and cooperation in making policy and licensing decisions are not mature.”¹³⁴ Some Taiwanese prosecutors and investigators received special training on export controls in 2012 and 2013, but they may no longer be involved in export controls as of 2016.

Taiwan has steadily improved its laws and enforcement with regard to money laundering, but it still remains at high risk for proliferation finance. Taiwan is a member of the Asia Pacific Group on Money Laundering (APG) and the Egmont Group, and it has essentially doubled the number of money laundering prosecutions since 2010. However, gaps in Taiwan’s proliferation finance laws and enforcement exist.

Taiwan remains on the US State Department’s list of “Countries/Jurisdictions of Primary Concern” on the annual International Narcotics Control Strategy Report to Congress with regard to Money Laundering. The PP databases listed Taiwanese individuals, companies, and even the state-backed MEGA Financial bank. New York State’s Department of Financial Services

133 “Taiwan: U.S. Foreign Assistance Performance Publication,” Fiscal Year 2009, <<https://2009-2017.state.gov/documents/organization/159186.pdf>>.

134 “Taiwan: U.S. Foreign Assistance Performance Publication,” Fiscal Year 2009, <http://www.state.gov/documents/organization/159186.pdf>.

fined MEGA International Commercial Bank USD 180 million in August 2016 for anti-money laundering failures.¹³⁵

To strengthen its laws, penalties, and enforcement, Taiwan should first criminalize terrorism and proliferation finance as autonomous crimes. Second, Taiwan should heed FATF’s Recommendation 7 on anti-proliferation finance measures under its Money Laundering Control Act. Recommendation 7 requires jurisdictions to implement targeted financial sanctions to comply with UN Security Council resolutions. Although Taiwan is not a member of the United Nations, it should adopt these requirements as a member of APG. Finally, Taiwan can also improve its freezing of assets and customer due diligence to meet international standards.

Taiwan will come under review of the APG again in 2018. If it does not meet international standards on proliferation finance, Taiwan will be listed as a high-risk jurisdiction. Companies, banks, and governments use these evaluations in their risk assessment of Taiwan, which directly impacts whether businesses will expand to Taiwan or engage with Taiwanese businesses. Taiwan should thus consider amending its proliferation finance laws and enforcement for both political and economic reasons.

135 Samuel Rubinfeld, “Bank Fined for AML Failures, Panama Papers Links,” *Wall Street Journal*, 22 August 2016, <http://blogs.wsj.com/riskandcompliance/2016/08/22/new-york-regulator-fines-taiwanese-bank-180m/>.

APPENDIX

APPENDIX I: COMPARISON OF EXPORT-CONTROL REGIMES

	Export-Controls Authorities	Legislation	Penalty Provisions for Export Violations
Republic of Korea	Ministry of Trade, Industry and Energy; Korea Strategic Trade Institute	The Foreign Trade Act; the Defense Acquisition Program Act; the Nuclear Safety Act; and the Act on the Control of the Manufacture, Export and Import of Specific Chemicals and Chemical Agents for the Prohibition of Chemical and Biological Weapons	Exporting without a license to facilitate international proliferation of strategic items: imprisonment for up to seven years or fine not exceeding five times the value of the exported or brokered items; anyone who exports items without a license or obtains a license fraudulently faces prison for up to five years or a fine not exceeding three times the value of the exported goods
China	Ministry of Commerce; Commission of Science Technology and Industry for National Defence; Ministry of Foreign Affairs; the General Administration of Customs; the China Atomic Energy Agency; the CWC Implementation Office	Customs Law (1987); Foreign Trade Law (1994); Regulations on Nuclear Export Controls; Regulations of the People’s Republic of China on Export Control of Dual-use Biological Agents and related Equipment and Technologies; Administrative Measures on Import and Export Licenses for Dual-use Items and Technologies	For actions that do not constitute crimes: government departments may impose administrative sanctions (e.g. warnings, confiscation of illicit proceeds, fines ranging from 30 percent to 100 percent of the value of the goods, or suspension/revocation of foreign trade licenses). Pursuant to the Criminal Code of China, smuggling arms, ammunition or nuclear materials shall be subject to a sentence of imprisonment for seven years with a fine or forfeiture of property; less serious offenses could range from three to seven years imprisonment with fines. Forging or altering official documents of a state organ can be sentenced to not more than three years imprisonment or, when serious, between three and ten years.
EU		EU Code of Conduct for Arms Exports; Regulation (EC) No 428/2009 (“the Regulation”); the EU Control List; “catch-all” clause; additional EU sanctions	Article 19 of the Regulation (EC) No. 1334/2000 includes sanctions for violations, which are imposed by Member State national authorities. Each Member State shall take appropriate measures to ensure proper enforcement of the provisions of Regulation (EC) No. 1334/2000 and adopt “effective, proportionate and dissuasive” penalties.

	Export-Controls Authorities	Legislation	Penalty Provisions for Export Violations
Japan	Ministry of Economy, Trade and Industry supported by three Cabinet Orders: the Export Trade Control Order, the Foreign Exchange Control Order, and the Import Trade Control Order; Export Division of the METI; Ministry of Foreign Affairs Non-Proliferation Bureau	Foreign Exchange and Foreign Trade Control Act; Export Trade Control Order	Article 69-6 of the Foreign Exchange and Foreign Trade Act states that violators may face imprisonment of up to 5 years and fines of JPY2,000,000 (~USD17,000) or, if the value of the goods exceeds JPY400,000 (USD 3,400), up to five times the amount in question; METI can curtail the export privileges of a violator for up to three years for the export of technology without a license or the export of weapons; under Article 53 of the Foreign Exchange and Foreign Trade Act, METI can prohibit exports of goods by a violator for up to three years and penalties for filing a false report, not filing a report, obstructing spot inspections, or making false statements include up to six months imprisonment and fines of no more than JPY200,000 (USD 1,700) under Article 72.
Taiwan	Ministry of Economic Affairs; the Bureau of Foreign Trade (BOFT); Customs Administration; Ministry of Justice; Ministry of National Defense; National Security Bureau; Science Park Administration	Foreign Trade Act	Criminal Sanctions pursuant to Article 27 of the Foreign Trade Act: Imprisonment up to 5 years and/or fines up to NTD1,500,000 (~USD45,000); Administrative Sanctions pursuant Article 27-1 of the Foreign Trade Act, including fines from NTD30,000 (USD890) up to NTD300,000 (USD8,900), suspension of trading rights for one to twelve months, abolishing the liable party’s exporter/importer registration, and other sanctions as per Article 13.4 of the Foreign Trade Act

Sources:

- » “China, Jun Wei, Steven N. Robinson and Wen Jin,” in Yann Aubin and Arnaud Idiart, eds., *Export Control Law and Regulations Handbook: A Practical Guide to Military and Dual-Use Goods, Trade Restrictions and Compliance* (The Netherlands; Kluwer Law International, 2007), p.93–104.
- » “The European Union, Yann Aubin, Arnaud Idiart, Aude de Clercq, and Laurent Papiernik,” in Yann Aubin and Arnaud Idiart, eds., *Export Control Law and Regulations Handbook: A Practical Guide to Military and Dual-Use Goods, Trade Restrictions and Compliance* (The Netherlands; Kluwer Law International, 2007), p.105–126.
- » “Japan, Yasufumi Shiroyama and Mika Yamanka,” in Yann Aubin and Arnaud Idiart, eds., *Export Control Law and Regulations Handbook: A Practical Guide to Military and Dual-Use Goods, Trade Restrictions and Compliance*.
- » “India, Anand Prasad and Theodor Sheykov,” in Yann Aubin and Arnaud Idiart, eds., *Export Control Law and Regulations Handbook: A Practical Guide to Military and Dual-Use Goods, Trade Restrictions and Compliance*, p. 185–209
- » Jaewon Lee, “South Korea’s Export Control System,” *SIPRI Background Paper*, November 2013, <http://books.sipri.org/files/misc/SIPRIBP1311.pdf>.

APPENDIX II: TAIWAN’S TRADE STATISTICS: JANUARY 1, 2005–JANUARY 1, 2015

	Total Trade Volume USD (re-imports and re-exports included)	Share of Total	Exports USD (including re-exports)	Imports USD (including re-imports)
China	1,035,126,633,713	20.524%	691,225,540,936	343,901,092,777
Japan	636,051,357,909	12.612%	175,453,251,493	460,598,106,416
United States	563,470,626,604	11.172%	319,004,644,101	244,465,982,503
Hong Kong	390,839,985,921	7.750%	372,946,722,593	17,893,263,328
Republic of Korea	245,533,862,813	4.868%	97,733,678,114	147,800,184,699
Iran	30,472,533,937	0.604%	6,591,352,916	23,881,181,021
Myanmar	1,905,957,423	0.038%	1,198,453,485	707,503,938
DPRK	327,649,683	0.006%	139,958,384	187,691,299

Source: Taiwan Bureau of Foreign Trade, “Value of Exports and Imports by Country,” *Trade Statistics*, <http://cus93.trade.gov.tw/ENGLISH/FSCE/>.

APPENDIX III: KEY LEGISLATION

Article 13 of the Foreign Trade Act

To ensure national security, fulfill international cooperation and agreements, enhance regulation of exportation/importation and flow of strategic high-tech goods, so as to facilitate the need of introducing high-tech goods, the exportation/importation of such goods shall comply with the following provisions:

1. No exportation is allowed unless otherwise authorized;
2. Where import permits are granted, no change of the importer or transfer to any third country or region is allowed unless otherwise authorized;
3. Intended use and end user shall be truthfully declared; no change is allowed unless otherwise authorized.

Specific strategic high-tech goods transported to the restricted regions may not transit, transship or become stored in bonded warehouses, logistics centers and free ports via any commercial port of this country without authorization.

For the types of goods and the regions restricted as referred to in the two preceding paragraphs, the competent authority shall render a public notice, publish a government bulletin and maintain a website free for public viewing.

For specific strategic high-tech goods in breach of the provisions in Paragraph 2, the competent authority may detain such goods in accordance with this act or relevant acts. Besides confiscation, the competent authority shall return shipment of such goods.

For detainment of aforementioned goods, Customs officials are entrusted with enforcement by the competent authority.

The application requirements and procedures, the regulations governing exportation/importation, transit, transshipment or storage in bonded warehouses, logistics centers and free ports, the declaration, changes and restriction of the export/import use and end user and the investigation of destinations and use of goods, and any other matters required for compliance, as referred to in Paragraphs 1 and 2 of this Article, shall be prescribed by the competent authority.

Specific SHTCs transported to restricted regions may not transit, transship via any commercial port of Taiwan or become stored in bonded warehouses, logistic centers and free trade ports without authorization.

Taiwan’s SHTC export control lists include: (1) Dual-Use Items and Technology (EU List); (2) EU Munitions List; and, (3) SCL for the DPRK and Iran.

Article 17 of the Foreign Trade Act

An exporter/importer shall not:

1. Infringe on any intellectual property rights protected by laws of this country or other countries.
2. Fail to or untruthfully label the source identification or the country of origin as required.
3. Fail to or untruthfully declare the source identification code or trademarks.
4. Use false export/import permits or false relevant trade permits/certificates.
5. Fail to perform business contracts honestly or in good faith.
6. Disturb trade order through undue means.
7. Commit any other acts damaging the goodwill of this country or creating trade barriers.

The Smuggling Penalty Act

Article 1

This Act is formulated to govern the punishment for illegally import or export government controlled articles or taxable articles.

Article 2

Offenders of illegally import or export controlled articles are subject to a fixed-term imprisonment of 7 years maximum, and may be fined no more than three million New Taiwan Dollars. Persons guilty of attempting to commit the offense as described in the preceding Paragraph are subject to a fine.

Items and regulations of the controlled articles mentioned in Paragraph 1 are regulated in accordance with the provisions as stipulated in the following Subparagraph promulgated by the Executive Yuan:

1. For the necessity of crime prevention, it is forbidden to transport in or out specific criminal-use artifacts for exchange or as a regular supply.
2. For the necessity of maintaining financial order and trading security, it is forbidden to forge or alter various currencies or to import and export securities.
3. For the necessity of maintaining the health of the citizens, it is forbidden or restricted to import specific articles or articles that originated from specific areas.
4. For the necessity of protecting domestic agriculture industry development, it is forbidden or restricted to import the flora and fauna, or their products, from specific areas, or for certain amounts.
5. For the necessity of complying with treaties and agreements, and fulfilling international obligations, it is forbidden or restricted to import or export specific goods.

Article 3

Offenders of transporting, selling, or concealing contraband as described in the first Paragraph of the preceding Article are subject to a maximum 5-year fixed-term imprisonment, or detention, and/or a maximum fine of 1.5 million New Taiwan Dollars. Persons guilty of attempting to commit the offense as described in the preceding Paragraph are subject to a fine.

Article 4

Offenders of illegal smuggling who resisted arrest or investigation with arms that cause injuries resulting in death are subject to the death penalty, life imprisonment, or a minimum ten-year fixed-term imprisonment, and may be fined no more than ten million New Taiwan Dollars. Offenders who cause severe injury are subject to life imprisonment, or a minimum ten-year fixed-term imprisonment, and may be fined no more than eight million New Taiwan Dollars.

Article 5

Offenders of illegal smuggling who also demonstrate any one of the conducts as described in the following are subject to life imprisonment, or a minimum seven-year fixed-term imprisonment, and may be fined no more than five million New Taiwan Dollars:

1. Openly leading and gathering a mob, carrying arms and resisting arrest or investigation.
2. Openly leading and gathering a mob, menacing collection customs officers or other inspectors as authorized by the law.

Article 6

Offenders of illegal smuggling who also demonstrate any one of the conducts as described in the following are subject to a minimum three-year and a maximum ten-year fixed-term imprisonment, and may be fined no more than five million New Taiwan Dollars:

1. Carrying arms and resisting arrest or investigation that causes minor injuries.
2. Abetting at the scene where there is a gathering of a mob carrying arms and resisting arrest or investigation.
Abetting at the scene where there is a gathering of a mob menacing collection customs officers or other inspectors as authorized by the law.

Article 7

Persons serving in railway, highway, aviation, shipping or other means of public transport institutions, that have knowledge of smuggling violations without notifying customs officers or other authorized inspectors are subject to a three-year maximum fixed-term imprisonment, detention, or a maximum fine of 1.5 million New Taiwan Dollars.

Article 8

(Rescinded)

Article 9

Customs officers or other authorized inspectors that knowingly release, or sell, or conceal illegally smuggled contraband for others are subject to a minimum of seven-years fixed-term imprisonment. Persons guilty of attempting to commit the offense as described in the preceding Paragraph are subject to a fine.

Article 10

Civil servants and military personnel who cover for illegal smugglers are subject to life imprisonment, or a minimum seven-year fixed-term imprisonment. Persons guilty of attempting to commit the offense as described in the preceding Paragraph are subject to a fine.

Article 11

Punishments for illegal smuggling where there are no applicable provisions in the Customs Anti-smuggling Act or this Act may be determined by applying applicable provisions of the Criminal Code or other relevant laws.

Article 12

Trafficking contraband from Mainland China into the Taiwan area, or trafficking contraband from the Taiwan area to Mainland China are considered the same as smuggling contraband in/out of the country. Provisions of this Act are applicable for judgment.

Article 13

This Act is effective on the date of promulgation except that Articles amended on May 5, 2006, are to be enacted on July 1, 2006, and Article 2 amended on May 29, 2012, is to be enacted on July 30, 2012.

APPENDIX IV: FULL LIST OF CASES

Company/ Individual	Year	Items	Use	Origin	Dest.	Violation
Be Gaehung ship	2003	158 barrels of phosphorus pentasulfide	Dual-use chemical for production of insecticides and nerve agents; production of rocket fuel	En route from Thailand	DPRK	Attempt to transport SHTCs in violation of control list through Kaohsiung port in Taiwan
Tokyo Vacuum and Nakano Corp.	2003	10 vacuum pumps	Uranium enrichment	Japan	DPRK	Transshipment of items through Taiwan
Hontex Industrial Limited Company/ Chen Chumei	2005	32 crates of Scud missile parts, propulsion system for Scuds with a distance up to 600 miles	Missile components	China	Libya	Violation of Foreign Trade Act
Meisho Yoko/ Kim Young Gun	2006	Freeze dryer from Taiwanese trading house	Biological weapons production	Japan	DPRK	Suspected of violating Japan’s Foreign Exchange and Foreign Trade Control Law
Lianhua Gas Industry Co., Ltd./ Ou’wen	2007	Chlorine trifluoride	Component in rocket fuel, nuclear reactor fuel processing	Taiwan	China	Violation of Foreign Trade Act
Ching Hwee International Co., Ltd.	2007	Horizontal machining center with standard and optional accessories model MH-500	Missile and centrifuge production	Taiwan	DPRK	Violation of Foreign Trade Act

Company/ Individual	Year	Items	Use	Origin	Dest.	Violation
Yicheng Corporation	2007	Industrial filtering device, high-precision equipment	Plutonium extraction; biological and chemical weapons production	Taiwan	DPRK	Foreign Trade Act
Theresa Chang	2007	Nickel powder	Manufacture of gaseous diffusion barriers	US	Taiwan	One count of making false statements related to the export of controlled items without a license
Answer Technology Limited Company	2008	Analog to Digital Converters, Digital to Analog Converters	Production and development of nuclear, chemical, biological, missile and military weapons	US	China	Foreign Trade Act
Johnson Tech and Engineering Co., Ltd.	2008	Computer Chips	Production and development of military weapons	US	China	Falsifying documents, unlicensed export evading US Export Administration Regulations (EAR99)
Royal Team Corporation/ Liu Chen-yi, Chen Shu-chen	2008	Precision machinery, stainless steel tubes, vacuum pumps, embedded industrial computer, workstation computers, pressure transmitters, -70°C refrigerator	Production and development of nuclear, chemical, biological, missile and military weapons	Taiwan	DPRK	Foreign Trade Act

Company/ Individual	Year	Items	Use	Origin	Dest.	Violation
Transmerits Industry Co., Ltd./ Hsien Tai (Alex) Tsai, Yueh-Hsun (Gary) Tsai	2008	Sansei 20, SS-501 rotary surface grinders, Mitsui Seiki HT-4A Horizontal Machining Center, Bryant Center Hole Grinder, vacuum pump	Production and development of nuclear, missile and military weapons	US	DPRK	Foreign Trade Act
Yen Ching Peng	2008	Infrared laser aiming devices, thermal weapons sights, a joint helmet mounted cueing system, night vision	Military items	US	Taiwan	Arms Export Control Act violations, money laundering, smuggling
Johnford Round-top Machinery Industries Company, Ltd.	2009	Gearbox to fit with FANUC spindle motor, angular contact ball bearings	Centrifuges	Taiwan	Iran	Foreign Trade Act
Heli-Ocean Technology Co., Ltd.	2009	108 Inficon pressure transducers	Development of nuclear weapons		Iran	Not an export violation: parts involved were not included on Taiwan’s SHTC list at time
Vahalla Tactical Supply/Aaron Henderson	2009	Tactical sighting devices	Military items	US	Taiwan and Afghanistan	Illegal export of restricted devices without export licenses
In-Tech Company Ltd. and Landstar Tech Company Ltd./ Yi-Lan (Kevin) Chen	2010	P200 turbine engines and spare parts, MIL-S-8516 sealing compound, glass-to-metal pin seals, thermal imaging devices, chemical agent monitors, and weapons systems, 120 circular hermetic connectors (Model MIL-C-81703/Part No. 8403-7-50P), 8,500 glass to metal seals of various item numbers	Drone, aerospace, military applications	US	Iran	International Emergency Economic Powers Act

Company/ Individual	Year	Items	Use	Origin	Dest.	Violation
Hivocal Technology Company, Ltd./Susan Yeh aka Susan Yip	2011	More than 105,000 parts, 599 transactions with 63 US companies, PIN diode limiters, dielectric resonator oscillators	Production of nuclear weapons, missile guidance systems, and radio jammers	US	Iran	Seven counts of conspiracy to violate export controls, money laundering, and wire fraud
Ho Li Enterprises Limited/Huang Tingzhou	2012	2 CNC lathes and 1 milling machine	Missile and centrifuge production	Taiwan	DPRK	Violation of Foreign Trade Act
Ecologix Technology	2012	Sewage treatment items	Production of chemical or biological weapons	Taiwan	Iran	Violation of Foreign Trade Act
Wan Hai Lines	2012	15 high-specification aluminum alloy bars, 50 metal pipes	Uranium enrichment, missile development	DPRK	Myanmar	A Singaporean ship belonging to a Taiwanese shipping company carried DPRK-marked cargo from Japan to Myanmar. The cargo was initially on a different ship in Dalian, China, (Wan Hai 215) and was then moved to a Wan Hai 313 in Shekou, China. The cargo was scheduled to change ships in Malaysia and reach Yangon Port
Precision Image Corporation/ Hwa Chih-kwang	2013	Printed Circuit Board (PCB), US Navy	Military	US	Taiwan	Violation of US Arms Export Control Act and wire fraud

Company/ Individual	Year	Items	Use	Origin	Dest.	Violation
	2013	I/O Board	Part of mission computer found inside the Baengnyong-do unmanned aerial vehicle	Switzerland	DPRK	*reportedly sold to Taiwanese intermediary 4 June 2013 ¹³⁶
Junbon Enterprises Co., Ltd./ Kunlin Hsieh, Agris Indricevs	2014	Microwave absorbers and circuit board laminates, US communications technology	Communications, missile guidance systems, military radar networks	US	Iran	One count of Conspiracy to violate the International Emergency Economic Powers Act and the Iranian Transaction and Sanctions Regulations
Hosoda Taiwan Limited/ Arthur Shyu	2015	250 shipments totaling 28 million parts	Dual-use and military goods including surface-to-air missiles and backup power sources for military or nuclear energy systems	US	Iran	International Emergency Economic Powers Act; conspiring to commit money laundering; and substantive money laundering violations

136 UN Security Council Panel of Experts, “Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009),” S/2016/157, 24 February 2016, http://www.securitycouncilreport.org/atf/cf/%7B65BF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/s_2016_157.pdf.

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