

These Companies Got Rich Selling Illegal Weapons To US Adversaries

Robert Johnson and Walter Hickey | Jul. 6, 2012, 11:04 PM | 39,987 | 21

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In the wake of the Pratt & Whitney settlement (the defense giant illegally [sold a bunch of helicopter engines](#) to the Chinese) we wondered who else had been busted for outlaw arms dealing that we hadn't heard about.

We went through [the State Department's list](#) — which is long, diverse, and contains the names of both blue-chip companies and sketchy front corporations — to find some of the biggest illegal arms.

To keep it manageable we posted only the biggest within the last six years.

Turns out selling weapons and classified equipment to other countries without a permit is very illegal, but extremely lucrative. [Hundreds of individuals](#) are banned from doing business with the State Department for risking the practice and getting caught, but there seems little shortage of others to pick up the slack once they're gone.

A lot like [another illegal business](#), it's almost impossible to prevent.



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ITT Corporation transferred night vision goggles and laser weapon countermeasures to engineers in China

[ITT Corporation](#), one of the world's largest defense contractors, was fined \$100 million in 2007 for [exporting military-grade](#) night vision goggles to the People's Republic of China.

The contractor also supplied classified data to China about light interference filters, a component of some night vision goggles. The filters protect the goggles from lasers and infrared light, which could be used as a countermeasure against enemies wearing the goggles.

ITT sold the goggles to the UK and Singapore as well.

Fortunately for ITT they caught a deal where they have to pay only half the fine, if they use the \$50 million saved to develop better night vision goggles.



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Marsh Aviation sold a bunch of military aircraft engines to Venezuela

Marsh Aviation and Floyd Stilwell — each of Arizona — [were indicted in 2010](#) for

Marsh Aviation and Troye Cannon each of whom were indicted in 2010 for violating the Arms Export Control Act and a charge of conspiracy after allegedly exporting T-76 aircraft engines to the Venezuelan Air Force.

T-76 engines were the power behind the Vietnam-era OV-10 Bronco light armed reconnaissance aircraft.

The Feds also contend that Marsh Aviation helped the Venezuelan Air Force assemble the engines and the aircraft, assisting them later with testing, maintenance, and use.

Marsh Aviation counts both the United States Air Force and a dozen South American Air Forces among its legitimate customers. They were selected by DynCorp as the general contractor to modify the State Department's fleet of Broncos.



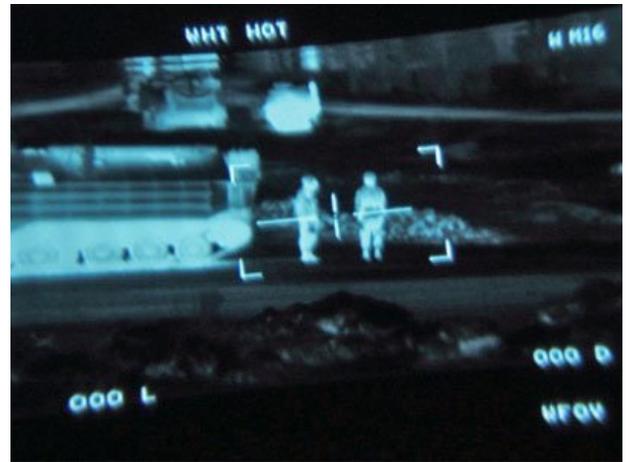
TSGT Bill Thompson / USAF

Rocky Mountain Instruments Company sold military optics to China, Russia, Turkey, and South Korea

Rocky Mountain Instruments (RMI) company pled guilty to twelve counts of willingly exporting defense articles without a license in June 2010. The company remains on probation and stay there until June 2015. They also paid a \$1 million fine.

RMI exported optics to a list of countries between 2005 and 2007. They also sold information on how to use the advance optics.

According to the Justice Department, the sales involved targeting and guidance systems for drones, the AC-130 gunship, the Abrams tank, the TOW missile system, and Bradley fighting vehicles.



nukeit1/ flickr

Chitron Electronics sold Electronic Warfare systems to China for a decade

In January 2011, Chitron Electronics Inc. illegally exported military electronics components used in radar and electronic missile systems to the Chinese military.

They sold the parts to various arms of the PLA by way of Hong Kong.

The United States arm of Chitron was headquartered in Waltham, Massachusetts. Chitron sold much of the equipment to the China Electronics Technology Group Corporation, the electronic procurement arm of the Military. In 2007, 25% of Chitron's sales were to the Chinese military.

The company was fined \$1.9 million and both Chitron's owners were sent to prison.



ExpertInfantry / Flickr

Boeing knowingly sold military-grade gyroscopic sensors to China

Boeing was hit with [86 violations](#) after exporting military-grade gyrochips to China and other countries by including them in sold aircraft.

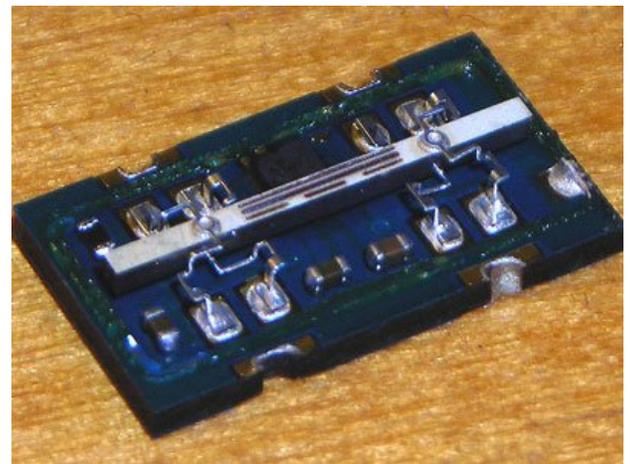
The Quartz Rate Sensor (QRS) gyroscope technology was developed in the 80s, and military-grade devices were included in sales that Boeing made to a number of countries after 1999.

According to the allegations, even after Boeing was informed that the planes contained a device classified as a defense article they continued to sell aircraft equipped with the device.

The government later claimed that Boeing "showed a blatant disregard for the [Commerce Department's] authority."

Boeing was charged with unauthorized exports after selling the QRS-11 to China, making false statements, misrepresenting facts, and failure to report.

In the end, Boeing agreed to pay a \$15 million settlement and agreed to a number of oversight agreements and audits.



Simple QRS from a model helicopter

Public Domain / Wikimedia

Balli Aviation sold the 747 to Iran

Iran has a number of Boeing 747s because of Balli Aviation Ltd, a subsidiary of British [Balli Group PLC](#).

The company ended up paying \$17 million in fines and settlements, one of the largest rulings in the Department of Commerce's Bureau of Industry and Security's history.

The arrangement worked like this: Balli Aviation, based in the United States, would buy Boeing 747s using money from Iranian financiers and send them to Iran.

Balli eventually signed lease arrangements where Iranian airlines would use the U.S. planes to fly in and out of Iran.



Dan Frommer

Platte River Associates sold vital computer software to Cuba

The Colorado company [Platte River Associates](#) was charged with trading with the enemy

The private company Platte River Associates was charged with trading with the enemy after exporting technical specialized computer software and training to Cuba. The software was eventually used to model the exploration of oil and gas resources in Cuban territorial waters.

Platte River's president Jay Leonard then hacked into [ZetaWare, Inc's](#) computer system to access oil and gas software data while at Houston International Airport.

Platte River paid a \$14,500 fine, and Leonard spent a year on probation for accessing the unauthorized computer.



kenhodge13

PPG Industries sold high-performance coating for nuclear reactors to Pakistan

The Chinese subsidiary of U.S.-based [PPG Industries](#) pled guilty in federal court to a list of charges related exporting high-performance coatings to the Chashma 2 Nuclear Power Plant in Pakistan.

The illegal transaction took place in China. [The power plant is in construction](#) in Punjab province, Pakistan.

It's been illegal to export products to Pakistan which could be used toward advancing their nuclear program since 1998 — the year of its first successful nuclear weapon test. The subsidiary, PPG Paints Trading, agreed to pay the maximum \$2 million fine, and was also slammed with five years of corporate probation. PPG Industries also paid \$1.75 million in civil penalties.



brewbooks / flickr

AMAC International's President tried to sell priceless Rocket Data to China in exchange for a cheap contract

AMAC International, a former high-tech company located in Newport News, Virginia, was connected to a major incident where technical data from rocket launches was sold to China.

Shu Quan-Sheng, AMAC's President, Secretary, and Treasurer, [assisted the People's Republic of China with the design](#) of a cryogenic fueling system for space launch vehicles.

Most significantly, Shu illegally sold China technical data regarding the design of the liquid hydrogen fuel tank used to propel rockets.

Even more damning is the \$183,000 in bribes to PRC officials in a successful attempt to win a \$4 million contract for a hydrogen liquifier project he and AMAC represented. He was convicted and sentenced to 51 months in jail.



NASA Goddard Space Center / flickr

BAE Systems tried to hide bribes used to score jet fighter sales

[BAE Systems](#), the British defense giant, had to pay a \$400 million fine after pleading guilty to various charges which included conspiracy to defraud the United States and conspiracies to violate both the Arms Export Control Act and to make false statements about compliance with the Foreign Corrupt Practices Act.

The aerospace company was also put on probation for three years.

Essentially, all companies with U.S. contracts are required to disclose any kind of commission made when trying to get a contract abroad. This means they must report paying any intermediary — [through either a legitimate commission or a bribe](#) — to assist in securing the sale of a defense item.

One specific instance cited by the Justice department was £19 million (\$29.5 million) paid to a middleman regarding the sale of fighter jets to the Czech Republic and Hungary. The Justice department judged that the payment had a "high probability that it would be used to influence that tender process to favor BAES"



imtfi / flickr

Atmospheric Glow Technologies gave a bunch of Drone information to China

[Atmospheric Glow Technologies](#) is a plasma technology company that is privately held. In 2008 they pleaded guilty to charges saying that the company sold U.S. military data and records about drones to a citizen of China.

They were hit with a \$25,000 fine. A physicist who worked at Atmospheric Glow Technology, Daniel Sherman, was sentenced to 14 months in prison in relation to the violation.

Also charged alongside Atmospheric Glow was University of Tennessee professor [Dr. John Roth](#), who was sentenced to four years in prison after being convicted of 15 counts of violating the Arms Export Control Act, one count of conspiracy, and one count of wire fraud.

Roth exported data related to the plasma technology used on the wings of drones, and also personally delivered technical data related to the contract to China, and later emailed classified Air Force data to China.



Flickr/AN HONORABLE GERMAN

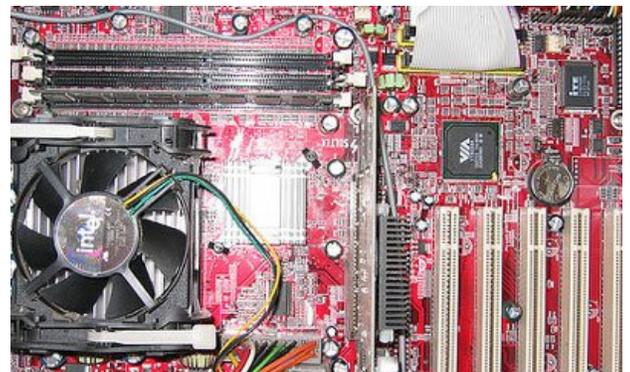
Super Micro Computer exported controlled motherboards to Iran

[Super Micro Computer Inc](#) sold multiple motherboards to Iran in 2006.

While details aren't provided, the hardware was controlled for national security reasons. Also implicated in the events was the project's financier, Mohammad Mayssami.

Here's some of the summary, [found from court documents](#):

An employee of Super Micro [...] knowingly caused 300 of Super Micro's [P4SBA+ Motherboards](#) to be exported to Dubai, United Arab Emirates (UAE), to trans-shipment to



Iran.



According to the case, Mayssami paid for the transport of the motherboards.

Super Micro paid close to \$300,000 in fines and fees, and Mayssami had to pay a \$10,000 fine, spend two years on probation, and complete 160 hours of community service.

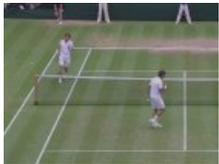
And those are just the biggest cases just in the past several years

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