

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

Eastline Technologies OU

Akadeemia tee 21
12618 Tallinn, Estonia

and

Peterburi tee 47-210
11415 Tallinn, Estonia

Adimir OU

Akadeemia tee 21
12618 Tallinn, Estonia

and

Peterburi tee 47-210
11415 Tallinn, Estonia

Valery Kosmachov

a/k/a Valeri Kosmachov
a/k/a Valery Kosmatsov
a/k/a Valery Kosmatshov
a/k/a Valery Kosmachev
Vabaõhukooli tee 76-A9
12015 Tallinn, Estonia

Sergey Vetrov

a/k/a Sergei Vetrov
6-39 Karl Marx Str.
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Real Components Ltd.

8-1 Aviamotornaya Str.
Moscow, Russia 111024

ORDER TEMPORARILY DENYING EXPORT PRIVILEGES

I. INTRODUCTION AND BACKGROUND OF THE PARTIES AT ISSUE

Pursuant to Section 766.24 of the Export Administration Regulations (the “Regulations” or “EAR”),¹ the Bureau of Industry and Security (“BIS”), U.S. Department of Commerce, through its Office of Export Enforcement (“OEE”), has requested that I issue an order temporarily denying, for a period of 180 days, the export privileges of Eastline Technologies OU (“Eastline”), Adimir OU (“Adimir”), Valery Kosmachov a/k/a Valeri Kosmachov, a/k/a Valery Kosmatsov, a/k/a Valery Kosmatshov, a/k/a Valery Kosmachev (“Kosmachov”), and Sergey Vetrov a/k/a Sergei Vetrov (“Vetrov”) (collectively, “Respondents”). OEE also has requested, pursuant to Sections 766.23 and 766.24 of the Regulations, that this order (“the TDO”) be applied to Real Components, Ltd. (“Real Components”) as a related person.

Eastline is located in Tallinn, Estonia, and describes itself as a distributor of electronic parts and components, computer-related products, industrial personal computers and embedded systems, equipment for industrial automation, and other state-of-the-art solutions. The company holds an Estonian business license and has two addresses in Tallinn identified in registration

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2018). The Regulations originally issued under the Export Administration Act of 1979, as amended, 50 U.S.C. §§ 4601-4623 (Supp. III 2015) (“the EAA”), which lapsed on August 21, 2001. The President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 8, 2018 (83 Fed. Reg. 39,871 (Aug. 13, 2018)), continued the Regulations in full force and effect under the International Emergency Economic Powers Act, 50 U.S.C. § 1701, et seq. (2012) (“IEEPA”). On August 13, 2018, the President signed into law the John S. McCain National Defense Authorization Act for Fiscal Year 2019, which includes the Export Control Reform Act of 2018, Title XVII, Subtitle B of Pub. L. 115-232 (“ECRA”). While Section 1766 of ECRA repeals the provisions of the EAA (except for three sections which are inapplicable here), Section 1768 of ECRA provides, in pertinent part, that all rules and regulations that were made or issued under the EAA, including as continued in effect pursuant to IEEPA, and were in effect as of ECRA’s date of enactment (August 13, 2018), shall continue in effect according to their terms until modified, superseded, set aside, or revoked through action undertaken pursuant to the authority provided under ECRA.

documents. Eastline is operated primarily for the purpose of procuring electronic components, including those of U.S. origin. Kosmachov and Vetrov were listed as co-owners of Eastline until late 2016. The company is currently listed as being solely owned by Valeria Mihhailova, whom OEE has reason to believe is Kosmachov's daughter. Evidence presented by OEE indicates that both Kosmachov and Vetrov remain active in the business, as well as that Kosmachov also has previously represented that Eastline partners with Real Components, which is located in Moscow, Russia, is owned by Vetrov, and is Eastline's primary customer in Russia.

Kosmachov also has previously identified himself as being the sole owner of Adimir, an Estonian company. Adimir shares the same business addresses as Eastline. Adimir is known to have previously been involved in the transshipment and attempted transshipment of U.S.-origin items to Russia in apparent violation of the Regulations, as described in a TDO issued by BIS on March 19, 2015, as amended on March 23, 2015 (the "March 2015 TDO"). *See* 80 Fed.Reg. 15,979 (March 26, 2015); 80 Fed. Reg. 16,632 (March 30, 2015).² During the investigation leading up to the issuance of the March 2015 TDO, Adimir admitted to transshipping U.S.-origin items to Russia, but was not named as a respondent, as Adimir was believed to have ceased operating. *See id.*; *see also* Section III., *infra*. However, as discussed in Section IV., *infra*, recently-obtained evidence indicates that Adimir appears to have resumed operating, and to again be involved in the procurement of U.S.-origin items for transshipment to Russian customers, primarily including Real Components.

² The limited amendment on March 23, 2015, did not relate to the discussion of Adimir. *See* 80 Fed. Reg. 16,632, at note 2. The March 2015 TDO was renewed for an additional 180 days on September 14, 2015. 80 Fed. Reg. 56,439 (Sept. 18, 2015).

II. LEGAL STANDARD

Pursuant to Section 766.24 of the Regulations, BIS may issue, on an *ex parte* basis, an order temporarily denying a respondent's export privileges upon a showing that the order is necessary in the public interest to prevent an "imminent violation" of the Regulations. 15 C.F.R. §§ 766.24(a)-(b). "A violation may be 'imminent' either in time or degree of likelihood." 15 C.F.R. § 766.24(b)(3). BIS may show "either that a violation is about to occur, or that the general circumstances of the matter under investigation or case under criminal or administrative charges demonstrate a likelihood of future violations." *Id.* As to the likelihood of future violations, BIS may show that the violation under investigation or charge "is significant, deliberate, covert and/or likely to occur again, rather than technical or negligent[.]" *Id.* A "[l]ack of information establishing the precise time a violation may occur does not preclude a finding that a violation is imminent, so long as there is sufficient reason to believe the likelihood of a violation." *Id.*

Pursuant to Sections 766.23 and 766.24, a TDO also may be made applicable to other persons if BIS has reason to believe that they are related to a respondent and that applying the order to them is necessary to prevent its evasion. 15 C.F.R. §§ 766.23(a)-(b) and 766.24(c). A "related person" is a person, either at the time of the TDO's issuance or thereafter, who is related to a respondent "by ownership, control, position of responsibility, affiliation, or other connection in the conduct of trade or business." 15 C.F.R. § 766.23(a).

III. THE MARCH 2015 TDO AND ADIMIR OU'S ADMITTED TRANSSHIPMENT ACTIVITIES

The March 2015 TDO issued against Flider Electronics, LLC d/b/a Trident International Corporation ("Trident"), Pavel Semenovich Flider (Trident's president and owner), and

Gennadiy Semenovich Flider (Trident's office manager) for engaging in conduct prohibited by the Regulations by exporting items subject to the EAR to Russia via transshipment through third countries, including Estonia and Finland. Contemporaneous to these events, in or about March 2015, in an indictment unsealed in the United States District Court for the Northern District of California, Pavel Flider was charged with fifteen counts of smuggling goods, one count of conspiracy to commit international money laundering, and ten counts of money laundering, and Trident was charged with all the same counts, except conspiracy. On August 16, 2016, Pavel Flider pled guilty to two counts of felony smuggling, and Trident pled guilty to two counts of money laundering involving the transshipment of U.S.-origin electronic components through Estonia and Finland to Russia. During the investigation, U.S. authorities identified other companies and individuals involved in the transshipment of U.S.-origin electronic components to Russia.

Specifically, for example, Trident's president and owner, Pavel Flider, identified Adimir in Estonia as the ultimate consignee in a shipment of Xilinx field programmable gate array circuits that were controlled under Export Control Classification Number 3A001.a.2.c for national security reasons and required a license for export to Russia. OEE presented evidence that indicated that Adimir was not the end user of the items. In addition, Kosmachov, an Adimir corporate officer and its owner, admitted that Adimir had transshipped U.S.-origin items to Russia for Trident and Pavel Flider. In an interview with OEE, Trident office manager Gennadiy Flider stated that Trident had been doing business with Adimir for many years and that it was the only customer Trident had. Similarly, Pavel Flider stated in an interview that Adimir was Trident's one and only customer, and that at times Adimir requested that items be shipped to a freight forwarder in Finland, rather than to Adimir in Estonia.

In sum, the March 2015 TDO described a procurement scheme that featured exports of U.S.-origin items structured as transshipments to camouflage the actual destination, end users and/or end uses of the items. As noted above, while Adimir had been involved in transshipping the items to Russia, Adimir was not made a party to the March 2015 TDO, as it was believed to have already ceased operating. The March 2015 TDO and related investigation appears to have for a time deterred Adimir and those affiliated or associated with it from engaging in similar activities. However, OEE has presented evidence as part of its current TDO request indicating that by at least May 2017, Kosmachov and Vetrov were using a revised scheme with Eastline identified falsely as the ultimate consignee and have expanded their activities to include the procurement of U.S.-origin items by both Eastline and Adimir, including as recently as August and September 2018.

IV. SUBSEQUENT INTERVIEWS WITH KOSMACHOV ABOUT EASTLINE, THE DETENTION OF AN ATTEMPTED TRANSSHIPMENT IN MAY 2017, AND MORE RECENT PROCUREMENT AND TRANSSHIPMENT ACTIVITIES INVOLVING EASTLINE AND ADIMIR

OEE's current request for a TDO includes evidence that an ongoing procurement scheme involves Eastline and Adimir in Estonia and Eastline's customer and partner Real Components Ltd. in Russia, all of whom share or have shared a common web of ownership or control involving Kosmachov and Vetrov. For example, Adimir and Eastline not only share a common address but also have shared a common owner in Kosmachov, who, as discussed *supra*, previously admitted to using Adimir to transship U.S.-origin items to Russia. Kosmachov remains active in Eastline's procurement operations, though company registration documents do not currently list him as a shareholder. Furthermore, Eastline and Real Components both have ties to Vetrov, with his continuing involvement in Eastline procurement activities and ownership

of Real Components. As set forth below, OEE has presented evidence of these relationships based on interviews with Eastline in 2015-2016, a detained shipment in May 2017 and information related to recent export activities.

In July 2015, Kosmachov, who was Eastline's acknowledged co-owner at the time (and until late November 2016), told the U.S. Government that Eastline started in 2005 as an independent distributor of electronic parts and components, among other items. Kosmachov stated that 99% of Eastline's business was in electronic components and that its primary customers are in Russia. According to Kosmachov, he chose to do business in Estonia because "it was easier to get electronics into Estonia than it was into Russia." He also stated that U.S. companies were "easier to deal with as a European company, rather than as a Russian company." Kosmachov indicated that "all Eastline's shipments to Russia go across the Tallinn-Helsinki Ferry to Helsinki and then across the Finnish-Russian border" because it was "cheaper" and took "less time" than shipping directly from Estonia to Russia. Also present at this meeting was another individual identified as a purchasing manager for both Eastline and Real Components. Kosmachov indicated that Eastline partners with Real Components, which is owned by Vetrov.

In a subsequent meeting in March 2016, Kosmachov confirmed that nothing had changed in relation to Eastline since the May 2015 meeting and that he continued to own Adimir, which shares business addresses with Eastline. He noted again that Eastline primarily exports to Real Components in Russia. The purchasing manager for both Eastline and Real Components was again present at this meeting.

OEE has presented evidence that Kosmachov and Vetrov remained the acknowledged shareholders in Eastline until November 29, 2016, at which time Valeria Mihhailova, who is believed to be Kosmachov's daughter, became listed as the sole shareholder. Information

obtained from a May 2017 detention by the Department of Homeland Security indicates, moreover, that Kosmachov and Vetrov continue to be active in Eastline's business operations by having items from the United States procured under their names for Eastline and delivered on Eastline's behalf to a package forwarder's address in the United States. The package forwarder then consolidated multiple Eastline shipments into one export and, based on information provided by Eastline, created a commercial invoice and made an Electronic Export Information ("EEI") filing in the Automated Export System ("AES")³ listing Estonia as the ultimate destination and Eastline as the ultimate consignee, even though Eastline has admitted that it is not an end user and that its primary customers are in Russia. The related export documents listed the "bill to" party as "Eastline Technologies OU, Attn: Valery Kosmachov" in Estonia, and the "ship to" as "Eastline Technologies OU, Attn: Sergey Vetrov" at the package forwarder's address in the United States. Furthermore, OEE has presented evidence that Kosmachov and Vetrov currently have access to Eastline bank accounts.

Based on a review of EEI filings in AES for 2018, Eastline continued to order U.S.-origin items and have them delivered to its package forwarder in the U.S., for consolidation and export from the United States, with Eastline listed as the ultimate consignee at its address in Estonia, including as recently as June 2018. Based on the transshipment activities described in the March 2015 TDO, the May 2017 detention, and its ongoing investigation, OEE has reason to believe these items were actually intended for Real Components or another Russian customer and thus were transhipped to Russia. In addition, Eastline represents itself on its website as an independent "distributor" of electronic computers for such locations as Russia, lending additional

³ The AES system is used by BIS (and U.S. Customs and Border Protection) for export control and clearance purposes and used by the U.S. Census Bureau to, inter alia, collect export statistics.

support to OEE's contention that Eastline is not an end user of the items it procures. Moreover, OEE is concerned that Respondents' strategy of using a package forwarder in the United States to consolidate orders placed with multiple U.S. manufacturers or suppliers, rather than having the items exported directly by the manufacturers or suppliers themselves, may be part of a concerted effort to conceal their activities.

Further, OEE has presented evidence indicating that both Eastline and Adimir have received shipments of U.S.-origin items as recently as August and September 2018, including shipments directly to Eastline and Adimir and shipments to Eastline through its package forwarder in the United States. Kosmachov's involvement in both Eastline and Adimir, Adimir's prior involvement with transshipment of controlled U.S.-origin items to Russia, and Adimir's continued receipt of U.S.-origin items, taken together, indicate that Adimir as well as Eastline presents an imminent threat of a violation of the Regulations and thus a temporary denial order is appropriate.

V. FINDINGS

I find that the evidence presented by BIS demonstrates that a violation of the Regulations is imminent in both time and degree of likelihood. Eastline, Adimir, Kosmachov, and Vetrov have engaged in knowing violations of the Regulations relating to the procurement of U.S.-origin items subject to the Regulations for export to Russia, via transshipment through Estonia and Finland, while providing false or misleading information regarding the ultimate consignee and final destination of the items to U.S. suppliers and/or the U.S. Government. The ways in which their export transactions have been structured and routed appear designed to conceal or obscure the destinations, end users, and/or end uses of the U.S.-origin items they procure, including items

on the Commerce Control List, thereby attempting to avoid export control scrutiny and possible detection by U.S. law enforcement.

In sum, the facts and circumstances taken together, including the transshipment of U.S.-origin items, misrepresentations made in AES filings, and concerted actions of the Respondents, provide strong indicators that future violations are likely absent the issuance of a TDO. As such, a TDO is needed to give notice to persons and companies in the United States and abroad that they should cease dealing with Eastline, Adimir, Kosmachov, and Vetrov in export transactions involving items subject to the EAR. Accordingly, I find that an order denying the export privileges of Eastline, Adimir, Kosmachov, and Vetrov is necessary, in the public interest, to prevent an imminent violation of the EAR.

Additionally, Section 766.23 of the Regulations provides that in order to prevent evasion, TDOs “may be made applicable not only to the respondent, but also to other persons then or thereafter related to the respondent by ownership, control, position of responsibility, affiliation, or other connection in the conduct of trade or business.” 15 C.F.R. § 766.23(a). Eastline and Real Components are intertwined in ownership and control and in their conduct of business. As noted above, Vetrov owns Real Components, Eastline’s primary customer in Russia, and also remains active in Eastline, including apparently receiving shipments on behalf of the company and also holding a bank card in Eastline’s name. The two companies also share a purchasing manager, further suggesting that Eastline serves as a procurement and transshipment agent for Real Components. Accordingly, I find that Real Components meets the criteria set out in Section 776.23 and should be added to the TDO as a related person in order to prevent evasion.

This Order is being issued on an *ex parte* basis without a hearing based upon BIS’s showing of an imminent violation in accordance with Section 766.24 of the Regulations.

IT IS THEREFORE ORDERED:

FIRST, that EASTLINE TECHNOLOGIES OU, with last known addresses at Akadeemia tee 21, 12618 Tallinn, Estonia, and Peterburi tee 47-210, 11415 Tallinn, Estonia, ADIMIR OU, with last known addresses at Akadeemia tee 21, 12618 Tallinn, Estonia, and Peterburi tee 47-210, 11415 Tallinn, Estonia, VALERY KOSMACHOV, a/k/a VALERI KOSMACHOV, a/k/a VALERY KOSMATSOV, a/k/a VALERY KOSMATSHOV, a/k/a VALERY KOSMACHEV, with a last known address at Vabaõhukooli tee 76-A9, 12015 Tallinn, Estonia, SERGEY VETROV, a/k/a SERGEI VETROV, with a last known address at 6-39 Karl Marx Str., Ramenskoye, Moscow, Russia, 140100, and REAL COMPONENTS LTD., with a last known address at 8-1 Aviamotornaya Str., Moscow, Russia, 111024, and when acting for or on their behalf, any successors, assigns, directors, officers, employees, or agents (each a “Denied Person” and collectively the “Denied Persons”) may not, directly or indirectly, participate in any way in any transaction involving any commodity, software or technology (hereinafter collectively referred to as “item”) exported or to be exported from the United States that is subject to the Export Administration Regulations (“EAR”), or in any other activity subject to the EAR including, but not limited to:

A. Applying for, obtaining, or using any license, license exception, or export control document;

B. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing, in any way, any transaction involving any item exported or to be exported from the United States that is subject to the EAR, or engaging in any other activity subject to the EAR; or

C. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the EAR, or from any other activity subject to the EAR.

SECOND, that no person may, directly or indirectly, do any of the following:

A. Export or reexport to or on behalf of a Denied Person any item subject to the EAR;

B. Take any action that facilitates the acquisition or attempted acquisition by a Denied Person of the ownership, possession, or control of any item subject to the EAR that has been or will be exported from the United States, including financing or other support activities related to a transaction whereby a Denied Person acquires or attempts to acquire such ownership, possession or control;

C. Take any action to acquire from or to facilitate the acquisition or attempted acquisition from a Denied Person of any item subject to the EAR that has been exported from the United States;

D. Obtain from a Denied Person in the United States any item subject to the EAR with knowledge or reason to know that the item will be, or is intended to be, exported from the United States; or

E. Engage in any transaction to service any item subject to the EAR that has been or will be exported from the United States and which is owned, possessed or controlled by a Denied Person, or service any item, of whatever origin, that is owned, possessed or controlled by a Denied Person if such service involves the use of any item subject to the EAR that has been or will be exported from the United States. For purposes of this paragraph, servicing means installation, maintenance, repair, modification or testing.

THIRD, that, after notice and opportunity for comment as provided in Section 766.23 of the EAR, any other person, firm, corporation, or business organization or entity related to Eastline Technologies OU, Adimir OU, Valery Kosmachov, or Sergey Vetrov by ownership, control, position of responsibility, affiliation, or other connection in the conduct of trade or business may also be made subject to the provisions of this Order.

In accordance with the provisions of Section 766.24(e) of the EAR, Eastline Technologies OU, Adimir OU, Valery Kosmachov, and Sergey Vetrov may, at any time, appeal this Order by filing a full written statement in support of the appeal with the Office of the Administrative Law Judge, U.S. Coast Guard ALJ Docketing Center, 40 South Gay Street, Baltimore, Maryland 21202-4022.

In accordance with the provisions of Sections 766.23(c)(2) and 766.24(e)(3) of the EAR, Real Components Ltd. may, at any time, appeal its inclusion as a related person by filing a full written statement in support of the appeal with the Office of the Administrative Law Judge, U.S. Coast Guard ALJ Docketing Center, 40 South Gay Street, Baltimore, Maryland 21202-4022.

In accordance with the provisions of Section 766.24(d) of the EAR, BIS may seek renewal of this Order by filing a written request not later than 20 days before the expiration date. Eastline Technologies OU, Adimir OU, Valery Kosmachov, and Sergey Vetrov may oppose a request to renew this Order by filing a written submission with the Assistant Secretary for Export Enforcement, which must be received not later than seven days before the expiration date of the Order.

A copy of this Order shall be sent to Eastline Technologies OU, Adimir OU, Valery Kosmachov, Sergey Vetrov, and Real Components Ltd., and shall be published in the *Federal Register*.

This Order is effective upon issuance and shall remain in effect for 180 days.



DOUGLAS HASSEBROCK
Director, Office of Export Enforcement,
performing the non-exclusive functions and duties
of the Assistant Secretary of Commerce for Export
Enforcement

Dated: September 26, 2018