U.S. Department of State Reaches Settlement with Boeing and Hughes

On March 4, 2003, the Assistant Secretary of State for Political-Military Affairs, Lincoln P. Bloomfield, Jr., signed a consent agreement imposing a $32 million fine on Hughes Electronics Corporation and Boeing Satellite Systems, Inc., in a civil settlement of the 123 charges against them for violations of the Arms Export Control Act and the International Traffic in Arms Regulations. The charges against these two companies, which are delineated in the Department’s December 26, 2002 Charging Letter, were brought in connection with their conduct related to the January 1995 failed launch of the Long March 2E rocket carrying the APSTAR II Spacecraft, the February 1996 failed launch of the Long March 3B rocket carrying the INTELSAT 708 Spacecraft, and other satellite-related matters involving the People’s Republic of China. The U.S. Customs Service was also a party to the settlement.

Under the terms of the consent agreement, the $32 million fine will be levied as follows:

- $20 million cash penalty of which $12 million will go to the U.S. Treasury and $8 million will go to the U.S. Customs Service to settle a separate claim against these companies;
- $12 million will be suspended on the condition that over a five-year period, Boeing will apply $6 million and Hughes will apply $2 million to offset the costs associated with remedial compliance measures required in the consent agreement;
- $4 million of the $12 million suspended portion, consisting of $2 million each from Hughes and Boeing, has been credited to them for investments already undertaken to strengthen compliance measures.

Additionally, both companies are required to appoint special compliance officials who will be responsible for oversight of the companies’ activities in China and the countries of the Former Soviet Union, and ensuring that the companies comply with the consent agreement. These officials cannot be employees of Boeing or Hughes.

The Department again stresses the importance compliance with export control laws has to the security and foreign policy interests of the United States and the risk of harm when companies fail to follow these laws.

The Consent Agreement, the Annexes of Compliance Measures, the Charging Letter, and the order implementing the agreement are available to the public at the Department of State Reading Room located at 515 22d Street NW.

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http://www.state.gov/r/pa/prs/ps/2003/18275.htm