



# Department of Justice

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## **Virginia Physicist Arrested for Illegally Exporting Space Launch Data to China and Offering Bribes to Chinese Officials**

WASHINGTON – A physicist in Newport News, Va., was arrested today on charges of illegally exporting space launch technical data and services to the People's Republic of China (PRC) and offering bribes to Chinese government officials.

The arrest was announced today by Chuck Rosenberg, U.S. Attorney for the Eastern District of Virginia; Patrick Rowan, Acting Assistant Attorney General for National Security; Matthew Friedrich, Acting Assistant Attorney General of the Criminal Division; Arthur M. Cummings, II, Executive Assistant Director, FBI National Security Branch; and Alex J. Turner, Special Agent in Charge, FBI Norfolk Division.

Shu Quan-Sheng ("Shu"), 68, a native of China, naturalized U.S. citizen and PhD physicist, was arrested in Newport News by FBI agents. Shu is the President, Secretary and Treasurer of AMAC International ("AMAC"), a high-tech company located in Newport News. AMAC International also has an office in Beijing, China. Shu made his initial appearance earlier today in U.S. District Court for the Eastern District of Virginia, Norfolk Division.

Shu is charged in a criminal complaint with unlawfully exporting a defense service to foreign persons without prior approval, in violation of the Arms Export Control Act; unlawfully exporting a defense article in violation of the Arms Export Control Act; and bribing, offering a bribe, and attempting to bribe a foreign government official, in violation of the Foreign Corrupt Practices Act (FCPA). Shu faces a possible sentence of 10 years in prison for each violation of the Arms Export Control Act, and five years in prison for violating the FCPA.

According to the complaint, beginning in or around January 2003, Shu provided technical assistance and foreign technology acquisition expertise to several PRC government entities involved in the design, development, engineering and manufacture of a space launch facility in the southern island province of Hainan, PRC. This facility will house liquid-propelled heavy payload launch vehicles designed to send space stations and satellites into orbit, as well as provide support for manned space flight and future lunar missions.

Among those PRC government entities involved in the space launch facility in Hainan are the People's Liberation Army's General Armaments Department and the 101st Research Institute (101 Institute), which is one of many research institutes that make up the China Academy of Launch Vehicle Technology, as overseen by the Commission of Science Technology and Industry for the National Defense. The Beijing Special Engineering Design Research Institute (BSEDRI) is the governmental entity responsible for the procurement of cryogenic liquid storage tanks for the Hainan launch facility.

According to the complaint, Shu has been involved in the PRC's systematic effort to upgrade their space exploration and satellite technology capabilities by providing technical expertise and foreign technology acquisition in the fields of cryogenic pumps, valves, transfer lines and refrigeration equipment, components critical for the use of liquefied hydrogen in a launch facility. Shu has also been instrumental in arranging for PRC officials to visit various European space launch facilities and hydrogen production/storage facilities.

Shu's efforts include the successful brokering of a January 2007 contract between the PRC's 101 Institute and a French company for the production and supply of a 600 liter per hour hydrogen liquefier. This liquefier will be part of the 101 Institute's comprehensive research, development, and test base for liquid-propelled engines and space vehicle components, and at the time, the liquefier represented the first in as many as five additional projects to be undertaken by AMAC and the French company, all to be used as ground-based support for the launch vehicles at the Hainan launch facility.

Shu is accused of illegally exporting technical data related to the design and manufacture of a "Standard 100 M3 Liquid Hydrogen (LH) 2 Tank," and illegally providing assistance to foreign persons in the design, development, assembly, testing or modification of the "Standard 100 M3 LH2 Tank" and related components of fueling systems for a foreign launch facility. At no time during this period did Shu have the required licenses or written approvals with respect to brokering, export of defense articles, or proposals to provide defense services to the PRC.

The complaint also alleges that Shu offered bribes to government officials with the PRC's 101 Institute to induce the award of the hydrogen liquefier project to the French company Shu represented. According to the complaint, on Dec. 1, 2003, Shu and his company AMAC entered into an agreement with the French company establishing AMAC and Shu as the French company's representative in China. The agreement provided that AMAC was entitled to a success fee of ten to fifteen percent.

According to the complaint, prior to the ultimate decision to award the hydrogen liquefier project to the French company in January 2007, Shu offered payments to PRC officials within the 101 Institute to induce those officials to award the contract to the French company rather than a competitor and to earn Shu and AMAC a commission. The contract value for the hydrogen liquefier is believed to total approximately \$4 million, according to the complaint.

This investigation was conducted by the Federal Bureau of Investigation (FBI), with assistance from U.S. Immigration and Customs Enforcement (ICE), and the U.S. Department of Commerce, Office of Export Enforcement.

The prosecution is being handled Assistant U.S. Attorney Alan M. Salsbury from the U.S. Attorney's Office for the Eastern District of Virginia and Assistant Chief Robertson Park from the Criminal Division's Fraud Section.. The Counterespionage Section of the Justice Department's National Security Division provided critical assistance.

The public is reminded that the charges in a criminal complaint are mere allegations and that defendants are presumed innocent unless and until proven guilty in a court of law.

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