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## Health Emergency Could Push USMCA Launch, Automakers Warn

As the administration looks toward a June 1 effective date for the newly signed U.S.-Mexico-Canada agreement (USMCA), lawmakers and industry groups are flashing the warning lights: the coronavirus and lack of clarity on rules of origin could present challenges to the deadline.

The Canadian Senate passed USMCA implementing legislation March 13 (see **WTTL**, March 16, page 6). U.S. Trade Representative (USTR) Robert Lighthizer applauded the Canadian vote. “Now that the USMCA has been approved by all three countries, an historic new chapter for North American trade has begun,” he said in a statement.

Sen. Chuck Grassley (R-Iowa) took to the Senate floor March 18 citing supply chain disruptions in the oil industry. “I urge the administration to take very seriously the concerns expressed by the highest level of the auto industry to ensure a reasonable timeline for entry into force of the [USMCA] auto regulations. It would be prudent right now to let these companies focus instead on the health of their workforce and supply chains,” the senator said.

Five days earlier, five automotive industry groups, including dealers and manufacturers, issued a joint statement. “The industry is throwing all available resources into managing production through this crisis for our employees and for the broader U.S. economy,” they said. “Even if it were reasonable to divert our attention to USMCA compliance, the United States, Canada and Mexico have yet to issue, even in draft form, the uniform automotive rules of origin regulations. Without them, many questions remain unanswered regarding how to interpret the new rules,” the groups wrote March 13.

## Administration Adds New Iran Sanctions Despite Coronavirus

With Iran one of the countries hardest hit by the coronavirus, allies and activists are urging the Trump administration to remove or reduce sanctions on Tehran. Nonetheless,

State and Treasury's Office of Foreign Assets Control (OFAC) March 19 designated five United Arab Emirates (UAE)-based companies "that facilitate the Iranian regime's petroleum and petrochemical sales," OFAC said. Specifically, OFAC designated Petro Grand FZE, Alphabet International DMCC, Swissol Trade DMCC, Alam Althra General Trading LLC, and Alwaneo LLC Co. In 2019, these companies collectively purchased hundreds of thousands of metric tons of petroleum products from National Iranian Oil Company (NIOC) for delivery to the UAE, the agency noted.

A day earlier, State sanctioned nine entities and three individuals who have engaged in activity that could enable the Iranian regime's violent behavior. The department imposed sanctions on these entities for "knowingly engaging in a significant transaction for the purchase, acquisition, sale, transport, or marketing of petrochemical products from Iran."

They include: South African company SPI International Proprietary Limited; Hong Kong-based companies McFly Plastic HK Limited, Saturn Oasis Co., Limited, and Sea Charming Shipping Company Limited; and Chinese companies Dalian Golden Sun Import & Export Co., Ltd., Tianyi International (Dalian) Co., Ltd., and Aoxing Ship Management (Shanghai) Ltd.

State also imposed sanctions on the two owners of SPI International Proprietary Limited -- South African company Main Street 1095; and Iranian entity Armed Forces Social Security Investment Company -- and three executive officers: Mohammad Hassan Toulai, managing director of Armed Forces Social Security Investment Company; Hossein Tavakkoli, director of SPI International Proprietary Limited; and Reza Ebadzadeh Semnani, director of Main Street 1095.

Human rights activists urged the administration to suspend Iran sanctions, including those affecting the country's financial and oil sectors and its civilian industries, for 120 days. "Sanctions have harmed the public health sector in Iran by slowing or entirely blocking the sale of medicine, respirators, and hygienic supplies needed to mitigate the epidemic, and broad sectoral sanctions continue to negatively impact ordinary Iranians by shuttering civilian-owned businesses and decimating the value of the rial, making it harder to procure food, medicine, and other basic needs," 25 organizations, including CODEPINK, J Street, Win Without War and Ploughshares Fund, wrote in a letter to the president, Secretary of State Pompeo and Treasury Secretary Mnuchin March 20.

## **Industry Groups, Lawmakers Urge End to Tariffs During Emergency**

If there are no atheists in foxholes, then perhaps there are no protectionists during a pandemic. Not quite. The coronavirus also continued the disagreement among importers, domestic industry, lawmakers and the administration on the issue of tariffs.

Two dozen retail and fashion industry groups previously requested the immediate elimination of Section 301 tariffs and "retroactive refund of duties imposed on U.S. imports of consumer and commercial products from China -- such as travel goods, clothing,

footwear, headwear, accessories, furniture, building products, baby products, textiles, and back to school items,” they wrote in a letter to National Economic Council director Larry Kudlow (see **WTTL**, March 16, page 4).

Rep. Stephanie Murphy (D-Fla.) and Rep. Joe Cunningham (D-S.C.) urged Congressional leadership to include a similar provision in any coronavirus economic support and stimulus package that would suspend existing Section 301 and 232 tariffs, prohibit future tariffs during the emergency, and direct Customs and Border Protection (CBP) to refund tariffs that U.S. businesses have paid.

“Congress delegated to the executive branch the authority to impose tariffs under 301 and 232, and Congress can curtail or circumscribe that authority where appropriate. We believe the current emergency warrants resolute congressional action if the requested administrative action is not forthcoming,” the lawmakers wrote.

In parallel with the lawmakers’ request, 161 trade associations representing businesses in every sector urged the president “to provide tariff relief as one of the measures to help those hurting financially from the economic effects resulting from the current public health crisis.” Suspending the current Section 301 and 232 tariffs on Chinese imports, and China’s associated retaliation, would provide a boost to the U.S. economy of over \$75 billion, or 0.4% of U.S. GDP, the groups led by Americans for Free Trade argued.

Scott Paul of the Alliance for American Manufacturing (AAM) disagreed with the lawmakers. “Ending the tariffs is neither stimulative nor job creating. It is a cynical ploy by importers to achieve a long-term policy objective by exploiting a public health crisis. Shameful. We will work with Congress to make sure Americans get the real relief they need,” Paul tweeted.

For his part, the president did not seem interested in removing any such tariffs. “China is paying us billions and billions of dollars in tariffs, and there’s no reason to do that. They haven’t even spoken to me about that. China hasn’t asked me to do that, but we’re getting billions of dollars a year from tariffs from China. And I can’t imagine Americans asking for that, but it could be that China will ask for a suspension or something. We’ll see what happens,” he said during a press briefing March 18.

## **China, U.S. Spar over Pandemic Cooperation, Safety**

Not even a global pandemic could stop the war of words between China and the U.S. Beyond the rhetoric and tariff policy of U.S. officials, security questions over Huawei and whether Chinese officials have been forthcoming with epidemic details, observers have raised questions over the safety of Chinese products, on which the U.S. could eventually depend.

Chinese Foreign Ministry Spokesperson Geng Shuang told reporters March 20 nothing could be further from the truth. “China is a leading manufacturer as well as a major

producer and exporter of medical supplies for epidemic response. As the pandemic is spreading around the world, many countries are facing a shortage of medical supplies such as masks, protective suits and ventilators. They hope to get assistance or purchase items from China,” Geng noted.

“While combating the epidemic at home, China has provided and will continue to provide assistance to countries in need to facilitate their commercial procurement in China. Our responsible practice has been universally praised by the international community,” the spokesperson added. “For those who label products made in China as ‘contaminated with virus,’ they’d better not wear those made-in-China masks, protective suits and ventilator,” he said.

The spokesperson also addressed questions on whether Chinese officials have been forthcoming with U.S. experts, laying out a timeline of exactly when they provided what information. “The Chinese side has timely provided information to and carried out technological cooperation with the U.S. side. The Chinese people have been united in one mission to fight the COVID-19. Our efforts have bought precious time for the whole world. Unfortunately, however, even many American media and experts believe that time has been regrettably wasted and squandered away by the U.S. side,” Geng said.

At a press briefing two days earlier, Secretary of State Mike Pompeo accused China of holding back the truth. “It took an awful long time for the world to become aware of this risk that was sitting there, residing inside of China,” he said. “The disinformation campaign that they are waging is designed to shift responsibility. Now is not the time for recrimination,” Pompeo added.

“Every nation has a responsibility to share all of their data, all of their information in as timely and accurate a fashion as they have the ability to do not only because it’s the right thing to do, but because that’s how you save lives for your own people as well. The Chinese Communist Party had a responsibility to do this not only for Americans and Italians and South Koreans and Iranians who are now suffering, but for their own people as well,” Pompeo noted.

## **Coronavirus Could Displace More Than 25 Million Workers**

The COVID-19 pandemic could increase global unemployment by almost 25 million, according to an initial assessment by the International Labour Organization (ILO). However, an “internationally coordinated policy response” could lessen the impact, the ILO reported March 20.

The body called for “urgent, large-scale and coordinated measures” in three areas: protecting workers in the workplace, stimulating the economy and employment, and supporting jobs and incomes. “These measures include extending social protection, supporting employment retention (i.e. short-time work, paid leave, other subsidies), and financial and tax relief, including for micro, small and medium-sized enterprises. In

addition, the note proposes fiscal and monetary policy measures, and lending and financial support for specific economic sectors,” the ILO argued.

“In times of crisis like the current one, we have two key tools that can help mitigate the damage and restore public confidence. Firstly, social dialogue, engaging with workers and employers and their representatives, is vital for building public trust and support for the measures that we need to overcome this crisis. Secondly, international labor standards provide a tried-and-trusted foundation for policy responses that focus on a recovery that is sustainable and equitable. Everything needs to be done to minimize the damage to people at this difficult time,” ILO Director-General Guy Ryder said.

Based on different scenarios, the ILO estimated a rise in global unemployment of between 5.3 million (“low” scenario) and 24.7 million (“high” scenario) from a base level of 188 million in 2019. By comparison, the 2008-9 global financial crisis increased global unemployment by 22 million, the organization noted.

\* \* \* **Briefs** \* \* \*

TRADE PEOPLE: President March 20 announced intent to nominate Michael Nemelka to be deputy USTR for investment, services, labor, environment, Africa, China and Western Hemisphere. Nemelka currently serves as special advisor to USTR Robert Lighthizer, and previously was partner at Kellogg, Hansen, Todd, Figel & Frederick, PLLC. President in January sent Senate nomination of Deputy USTR C.J. Mahoney to be State legal adviser (see **WTTL**, Jan. 13, page 9).

EXPORT ENFORCEMENT: Merdad Ansari, Iranian citizen and resident of UAE, was extradited from Georgia March 14 to face charges in San Antonio U.S. District Court for his role in scheme to obtain dual-use and military parts for Iran without OFAC or Commerce licenses. Codefendant Susan Yip (aka Susan Yeh), Taiwanese citizen, was sentenced to two years in prison in October 2012 on related charges (see **WTTL**, Oct. 29, 2012, page 4). Yip pleaded guilty to conspiracy to violate Iran sanctions. Mehrdad Foomanie (aka Frank Foomanie) of Iran remains at large. June 2011 indictment was unsealed at same time as Yip’s sentencing.

FCPA: Andres Truppel, former chief financial officer (CFO) of Siemens Argentina, was sentenced March 13 in Manhattan U.S. District Court to time served for his role in bribery scheme to retain \$1 billion government contract to produce national identity cards for Argentine citizens. He pleaded guilty in September 2015 to conspiracy to violate FCPA. Truppel previously agreed to pay SEC \$80,000 civil penalty. Eberhard Reichert, former Siemens AG executive, pleaded guilty in March 2018 in Manhattan federal court to related charges for his role in scheme (see **WTTL**, March 19, 2018, page 9).

STEEL ROD: In 5-0 final vote March 19, ITC found U.S. industry is materially injured by dumped and subsidized imports of carbon and alloy steel threaded rod from China and India.

ACETONE: In 5-0 final vote March 17, ITC found U.S. industry is materially injured by dumped imports of acetone from Belgium, Korea and South Africa.

CORROSION INHIBITORS: In 5-0 preliminary vote March 19, ITC found U.S. industry may be injured by allegedly dumped and subsidized imports of corrosion inhibitors from China.

**SANCTIONS:** Ali Sadr Hashemi Nejad (Sadr) was convicted March 16 in Manhattan U.S. District Court following two-week jury trial on charges of evading Iran sanctions, defrauding U.S. and bank fraud. Indictment against Sadr was unsealed in March 2018 for his role in scheme in which more than \$115 million in payments for Venezuelan housing complex were illegally funneled through U.S. financial system for benefit of Iranian individuals and entities between April 2011 and November 2013 (see **WTTL**, March 26, 2018, page 6). Project was led by Stratus Group, Iranian conglomerate controlled by Sadr and his family, indictment noted. Sadr allegedly managed project finances, it added. Sentencing is set for Aug. 17.

**CANISTERS:** CAFC March 11 affirmed CIT grant of summary judgment on government ruling that CBP lawfully issued notice to redeliver individual butane gas canisters that displayed counterfeit certification mark. “We conclude, as did the [CIT], that the relevant contract provisions required ICCS to obtain express authorization prior to using UL’s certification mark on new models,” Circuit Judge Raymond Chen wrote for three-judge panel in ICCS USA Corporation v. U.S. “An owner of a certification mark has an affirmative duty to police the use of its certification mark in order to protect the public’s expectation that all products sold under the certification mark comply with applicable safety standards and requirements,” Chen wrote.

**RUSSIA:** OFAC March 20 issued general licenses (GLs) 13N and 15H, extending previous GLs that expanded sanctions relief for Russian conglomerate GAZ Group. Specifically, OFAC extended GL expiration date to July 22.

**TOMATOES:** Agriculture Department (USDA) will begin inspections of almost all fresh tomatoes from Mexico April 4, as promised under 2019 tomato suspension agreement, USDA reminded importers March 18. Commerce announced inspections in February (see **WTTL**, Feb. 10, page 7). “Tomatoes on the Vine, specialty tomatoes, and grape tomatoes in retail packages of 2 pounds or less are excluded from the inspection requirement,” USDA noted.

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