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BIS Adds More Names to Ukraine-Related Sanctions

The addition of 29 persons under 33 entries to the Bureau of Industry and Security (BIS) Entity List Sept. 2 is part of an effort to block attempts to work around previous sanctions, State Deputy Spokesman Mark Toner told reporters. "In any kind of sanctions regime there's obviously workarounds that develop over time, so we constantly look at those and ways to strengthen them and close those kind of workarounds in order to keep them both knitted up with EU sanctions as well as Canadian sanctions, but also to make sure that they're airtight, for lack of a better term," he said at press briefing Sept. 3.

> The new names added to the Entity List published in the Federal Register are parties in the Crimea region of Ukraine, plus Cyprus, Finland, Romania, Russia, Switzerland, Ukraine and the United Kingdom. Entities include eight trading companies, 15 subsidiaries of Rosneft, five Crimean port operators, and one Crimean ferry operator (see **WTTL**, Aug. 3, page 5).

Among those targeted are Airfix Aviation Oy and Set Petrochemicals Oy in Finland, Mako Holding in Donetsk, Ukraine, and Izhevsky Mekhanichesky Zavod JSC and Open Joint Stock Company Kontsern Izhmash in Russia. In July, the Office of Foreign Assets Control (OFAC) designated many of the same individuals and entities. The BIS action "is in line with ongoing sanctions strengthening," Toner said. "We want to keep those sanctions as current as possible," he added.

When asked if there were any new Russian actions that warranted the new sanctions, Toner said the U.S. has seen "writ large, a lack of serious effort to comply with any of the commitments that Russia and the separatists have made regarding Minsk." There have been ongoing violations of the ceasefire, he added. "There would be no conflict in eastern Ukraine if Russia were not providing tanks, armored vehicles, heavy artillery, [and] military personnel to the separatists." he said.

CIT Remands OCTG Antidumping Ruling to Commerce

Court of International Trade (CIT) Judge Jane Restani remanded in part and sustained in part Sept. 2 Commerce's antidumping order on oil country tubular goods (OCTG) from Korea, citing the department's failure, among other things, to differentiate between seamless and welded tubing. "In making its decision on remand, Commerce must consider record evidence that is probative of the difference between welded and seamless OCTG, including costs and pricing," she wrote (slip op. 13-100). Restani said Commerce ignored the arguments of plaintiff, Iljin Steel Corporation, which the department refused to include as a mandatory respondent. Iljin asked to be included in the investigation because including only makers of welded OCTG would be unfair to firms like Iljin that make seamless tubing.

> "Commerce's reasoning appears to be little more than it has discretion in choosing between the respondent selection methodologies. That is insufficient. Nowhere in the agency record is there evidence that it exercised that discretion in a lawful way," Restani ruled.

Restani sustained Commerce's decision to limit the number of voluntary respondents because the added parties would be unduly burdensome. "Because of the concurrent investigations into the same product and the fact that Commerce is required to do more work in less time when conducting such investigations, Commerce has shown that the burden of reviewing a voluntary respondent in this case would exceed the typical burden Commerce faces in other administrative proceedings. On the facts of this case, Commerce's determination that it would be unduly burdensome to examine any additional respondents was supported by substantial evidence and was otherwise in accordance with law," Restani declared.

Report Boosts Effort to Lift Oil Export Restrictions

Although it's hedged with the typical economist language, with varying scenarios and speculation, a Sept. 1 Energy Information Administration (EIA) report suggests lifting restrictions on crude oil exports would have a more favorable than negative impact on industry and consumers. Lawmakers who support legislation to end those restrictions are certain to latch onto the report to back their position (see **WTTL,** Aug. 3, page 1).

> Under favorable conditions, "the absence of export restrictions on crude would change domestic crude prices, domestic crude production volumes, and trade flows. This results in a more favorable outcome for domestic crude producers (higher domestic crude prices and production volumes), and to a lesser extent, domestic consumers of gasoline and other petroleum products, who benefit from slightly lower petroleum product prices as additional domestic crude production volumes exert downward pressure on global crude oil prices," declares the report.

As widely reported, U.S. crude oil production has increased steadily in recent years due to new technologies, leading to lower oil imports. In the future, that trend will be influenced by several factors, including the spread in prices between West Texas Intermediary (WTI), the light oil produced in the U.S., and Brent oil, which reflects prices for oil outside the U.S.

In addition, price and supply changes will depend on whether U.S. oil refiners build more capacity to handle growing WTI supplies to replace or supplement facilities that process Brent. Based on these variables, EIA examined a baseline or reference case, plus cases with high supplies or low prices and combinations of those scenarios. "Any increase in domestic crude oil production that occurs because of the removal of restrictions on crude oil exports that is not offset by reduced production outside the United States would also represent an increase in global crude oil supplies, which in turn places downward pressure on global crude oil prices, as represented by Brent. To the extent that higher domestic production results in lower global crude prices, the increase in the absolute level of domestic crude prices will be smaller than the reduction in the Brent-WTI spread, which reflects both higher WTI prices and lower Brent prices," it explains.

> "The situation outlined above, and explored in more detail below, presents a challenge to policymakers. Given the range of cases considered in this analysis, most of which include rising price paths for both crude oil and petroleum products, even sectors or groups that would stand to benefit from the removal of crude oil export limitations, such as gasoline consumers, may see future price increases for reasons totally unrelated to decisions regarding the removal or retention of existing crude oil export restrictions," EIA, a branch of the Energy Department, cautions.

"For example, should a removal of export restrictions on crude oil be followed by a rise in gasoline prices, it is unlikely that consumers would respond favorably to an argument that prices would have increased even more if crude oil export restrictions had remained in effect," it notes.

"Given the interest of both policymakers and stakeholders in exploring the implications of relaxation or removal of existing policies restricting crude oil exports, many readers of this and other reports on this subject will naturally focus on comparisons between cases with and without these policies. Although policy decisions regarding crude oil export restrictions do affect crude oil prices in some cases, it is evident that those effects are modest in relation to the price differences that arise because of variation in other assumptions across the different baseline cases," the report states.

Car Maker Settles BIS Charges of Illegally Exporting Vehicles

Lesson learned: Don't lie to BIS. Streit USA allegedly told the agency it had lost sales it had sought licenses for but then exported the items anyway without licenses. The company, an armored vehicle manufacturer in North Charleston, S.C., its parent company in the United Arab Emirates (UAE), another UAE subsidiary, and two corporate officers agreed Sept. 1 to pay BIS $3.5 million to settle charges related to the unlicensed export of armored vehicles to Venezuela via Canada and other destinations in 2008.

> Streit USA faced 13 charges of unlicensed exports of 25 armored vehicles, reexports in violation of a BIS license condition, false statements to BIS in connection with a license application, and failing to update BIS regarding material changes of fact. Streit Group FZE and Streit Middle East faced seven related charges.

Each company agreed to pay $1.6 million, of which $750,000 will be suspended for three years and then waived if they commit no further violations. In addition, Streit Group Chairman Guerman Goutorov and Streit USA President Eric Carlson face one charge each for their roles in the scheme, agreeing to pay $250,000 and $50,000 in respective penalties. The U.S.-origin vehicles were retrofitted with ballistic steel and bulletproof glass, classified under Export Control Classification Number (ECCN) 9A018. In addition to Canada, destinations included Afghanistan, Iraq, Nigeria, Philippines and Singapore. In response to BIS questions about a license application in January 2009, Carlson emailed Streit management saying, "We can advise the Commerce Department that the customer went elsewhere to purchase their armored vehicles due to the fact that it took too long for us to get an export license," BIS reported. "Consistent with this scheme and the response proposed by Carlson, Streit USA falsely stated to BIS on or about February 2, 2009, that the sale had been lost and that the license application should be returned without action," the agency added.

> "These penalties should also serve as a reminder to corporate officers of their responsibility to ensure the export of national security controlled items are properly licensed, and of the importance of providing full and accurate information to BIS," said Assistant Secretary of Commerce for Export Enforcement David Mills in a statement.

On its website, Streit advertises that it produces armored luxury vehicles such as Mercedes, BMWs and Bentleys, in addition to SUVs, swat vehicles and personnel carriers. Streit appears to have no relationship with Streit's Matzo Company.

Reif Named USTR Chief Transparency Officer

Tim Reif, the U.S. Trade Representative's chief counsel, who has spoken mostly on background or off the record for the past six years, was named Sept. 3 to the newly created post of chief transparency officer. The job was established as part of fast-track trade promotion authority statute (TPA) (H.R. 2146) that was enacted in June.

> As part of the TPA bill's extensive new requirements for the USTR to consult with Congress on pending trade deals, Section 104(f) called for the naming of a transparency officer to oversee the new rules. "There shall be in the Office one Chief Transparency Officer. The Chief Transparency Officer shall consult with Congress on transparency policy, coordinate transparency in trade negotiations, engage and assist the public, and advise the United States Trade Representative on transparency policy" it states.

The appointment of Reif, a former Democratic international trade counsel for the Ways and Means Committee, drew quick praise from House and Senate Democrats. "This announcement is a good move to begin implementing the transparency provisions of our bipartisan trade bill," said a statement by Ron Wyden (D-Ore.), ranking member on Senate Finance Committee. "I look forward to working with Tim," Ranking Ways and Means Democrat Sander Levin (D-Mich.) said in a statement. "His many years working with members of Congress will help the administration determine how to enhance the transparency of U.S. trade policy, a vital area in need of improvement," he added.

Reif became USTR general counsel in 2009 after working for Ways and Means and several years in private law practice. He received his JD from Columbia Law School and his Master of Public Affairs and Bachelor degrees from Princeton University. "Tim is uniquely qualified to further this administration's unprecedented efforts to make trade negotiations more accessible and transparent to the public and their representatives in Congress," said USTR Michael Froman in his statement announcing Reif's appointment.

* * * Briefs * * *

EXPORT ENFORCEMENT: Air Bashkortostan, LTD of Moscow agreed Aug. 28 to pay BIS $350,000 to settle charges of reexporting four Boeing 757 aircraft from Russia to Iran without authorization in 2009. All of civil penalty will be suspended for one year, then waived, if company commits no further violation. Aircraft valued at $4.5 million were classified under ECCN 9A991.b and controlled for antiterrorism reasons. Reexports were made under lease agreements between Air Bashkortostan and Eram Air, based in Iran.

MORE EXPORT ENFORCEMENT: Arash Ghahreman of Staten Island, N.Y., naturalized U.S. citizen and former Iranian national, was sentenced to 78 months in prison Aug. 27 in San Diego U.S. District Court for attempted export to Iran of marine navigation equipment and military electronic equipment. He was convicted by federal jury in April (see **WTTL**, May 11, page 9). Co-defendant Ergun Yildiz, resident of UAE, was sentenced to time served and two years' probation in May. Yildiz was president of Tig Marine, Dubai company used as front company.

TRADE FIGURES: Merchandise exports in July fell 7.4% from year ago to $128.2 billion, Commerce reported Sept.3. Services exports gained 3.1% to $60.3 billion from July 2014. Goods imports dipped 4.5% from July 2014 to $189.6 billion, as services imports gained 2.6% to $40.8 billion. Biggest factors behind numbers are drop in oil prices, rise in dollar value.

STEEL PIPES AND TUBES: In 6-0 preliminary vote Sept. 3, ITC found U.S. industry may be injured by allegedly dumped imports of heavy walled rectangular welded carbon steel pipes and tubes from Korea, Mexico and Turkey and subsidized imports from Turkey.

SUDAN: In Federal Register Sept. 2 BIS corrected error in License Exception Temporary (TMP) "to make certain consumer communications devices and related software eligible for temporary export and reexport to Sudan as 'tools of trade.'" Error was introduced in February when agency amended License Exception Consumer Communications Devices (CCD) for use in Sudan (see **WTTL**, Feb. 23, page 4). Change aims to facilitate use of employer-owned devices by persons engaged in humanitarian efforts in Sudan, BIS said.

EX-IM FRAUD: Martin Slone of Oldsmar, Fla., owner of Woolie Enterprises Inc, aircraft brokerage and export business, appeared in Tampa U.S. District Court Aug. 31 and pleaded not guilty to charges of defrauding Ex-Im Bank in 2007. Slone allegedly created false documents claiming that foreign buyers had purchased aircraft and parts from Woolie, and then falsely reported that buyers had defaulted on payments, causing Ex-Im Bank to pay Woolie approximately $197,690. Grand jury returned original sealed indictment in July 2013, while Slone was residing in Brazil, Justice said. He was arrested at Abu Dhabi International Airport June 28. His jury trial is set for Oct. 5.

SANCTIONS: State added 22 entities in China, Iran, North Korea, Russia, Sudan, Syria, Turkey and UAE Sept. 2 to list of parties prohibited from doing business with U.S. government, receiving aid or obtaining export licenses under nonproliferation rules. Several have been on previous sanctions lists, including Hizballah, Iran's Revolutionary Guard and Qasem Soleimani. Among those named in Federal Register were: China's Dalian Sunny Industries, Russia's Rosoboronexport and Russian Aircraft Corporation, and Sudan's Yarmouk Complex.

GSP: ITC sent confidential report and advice to USTR Aug. 31 on potential impact on U.S. business from waiving competitive need limits for GSP benefits for coconut products and certain copper alloy wire from Thailand, plus five uncarded and uncombed cotton and cotton waste and carded or combed cotton fibers. In comments to ITC, Thai Embassy in Washington claimed only one 40-acre farm in Florida produced coconuts, so U.S. would not be hurt by continued GSP benefits for these products. On other hand, food industries consuming coconut products would be. Public portion of report notes that most U.S. cotton production is exported.