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Counterintelligence Office Concerned about Emerging Technology

In its annual report to Congress, the Office of the National Counterintelligence Executive (ONCIX) identified uncontrolled emerging technology as an area of “looming concern.” It also warned that the rapid expansion of social networking and virtual world technology could be used by foreign espionage organizations to collect sensitive information and connect to individuals who could become the source of industrial and economic data. “Emerging, pre-classified military technologies or commercial breakthrough technologies are unprotected and are more vulnerable to loss or compromise,” said the ONCIX report which was sent Congress in July but just recently released publicly.

“Often these technologies are difficult to identify in their early phases,” it said. “Many of these constitute Critical National Assets, defined as systems, processes, technologies, or information that are of broad overriding importance to the survival, safety, or vitality of the United States and that, if stolen, modified, or manipulated by an adversary, would seriously threaten U.S. national or economic security,” the report stated.

ONCIX cited the convictions of former University of Tennessee Professor J. Reece Roth and Atmospheric Glow Technologies as examples of the release of technology through the research community. It also noted that the Energy Department has identified clean coal energy “as a vulnerable technology” that might prove central to U.S. economic development strategy in the next decade. “This process remains a leading contender for worldwide adoption. China continues to be a leading competitor in the race for clean coal technology,” it said.

Social networking and virtual worlds also concern ONCIX. “The rapid expansion of social networking software and virtual world technology offer new venues for making contacts and transferring information,” it said. “Virtual world technology—such as Second Life and World of Warcraft—could offer access to information that would be valuable to economic collectors or industrial espionage in the future,” it cautioned; noting that “the tools to protect information were accordingly not as sophisticated” as controls over communication on the Internet.

Obama Could Get Doha Deal through Congress, Says Ex-USTR

President Obama could “absolutely” get congressional approval for a Doha Round agreement, former U.S. Trade Representative (USTR) Mickey Kantor told WTTL. “Obama could get it through,” he said; contending there is more support for open trade among registered Democrats



today than among Republicans. He cited how President Clinton swung public support for NAFTA. "You can shift opinion," he said. So far, however, "there is not enough of a deal to be closed and that is part of the problem," said Kantor, who was the only U.S. trade negotiator in the last 30 years who actually completed a multilateral trade agreement successfully when he concluded the Uruguay Round in December 1993.

Kantor said the key to getting a final Uruguay Round deal was the personal involvement in the last 30 days of talks of President Clinton, British Prime Minister Major, French President Mitterand and German Chancellor Kohl. "It was not as difficult as it is now because there were less countries involved, but Mitterand, Kohl, Clinton and Major continually were talking to each other, pushing each other forward, trying to get something done," Kantor told WTTL.

He said the heads of the G-20 leading world economies have to get personally involved. "They have to say we're going to use our political capital and not only open our economy but get the others to open theirs," he said. "If Brazil, India and China start to provide leadership, it would happen. They have enormous influence in the developing world," he added.

Exporters Race to Beat New Sanctions on Iran

U.S. firms that export food, medicines and medical devices to Iran are racing to get licenses approved by Treasury's Office of Foreign Assets Controls (OFAC) before Congress and the Obama administration imposes new, tougher sanctions on Tehran (see **WTTL**, Oct. 12, page 4). The number of license applications filed with OFAC in the first half of 2009 to export these products to Iran jumped 45% from the same period in 2008, according to OFAC's latest report on licensing subject to the Trade Sanctions Reform and Export Enhancement Act (TSRA).

In the first half of 2009, the agency received 671 applications for exports to Iran v. 463 in the same period in 2008. From April to June of 2009, OFAC approved licenses on average in 60 business days, but it took an average of 116 days to issue denial letters to just two applications

The apparent rush for licenses is being driven by congressional moves to tighten sanctions and White House threats that the administration may add some of its own. On Oct. 14, the House approved the Iran Sanctions Enabling Act (H.R. 1327) by a 414-to-6 vote. The bill authorizes state or local governments to adopt and enforce measures to divest assets from or prohibit the investment in companies that invest more than \$20 million in the Iranian energy sector.

On same day, the Senate adopted a conference committee report and legislation for funding energy and water programs (H.R. 3138), which includes in Section 313 a prohibition on the use of any funds to buy oil for the Strategic Petroleum Reserve from any party that sells \$1 million or more in refined oil products, including gasoline, to Iran or provides any shipping, insurance, financing or brokering for such transactions. In addition, House Foreign Affairs Committee Chairman Howard Berman (D-Calif.) announced that his committee will hold a mark up Oct. 28 on the broader Iran Refined Petroleum Sanctions Act (H.R. 2194), which also would authorize the president to impose sanctions on parties that sell gasoline to Iran.

Lamy Argues to Keep Services Negotiations inside Doha Round

World Trade Organization (WTO) Director General Pascal Lamy Oct. 14 urged the services industry to continue supporting the inclusion of services in the Doha Round and not to seek a deal through bilateral or pluralateral talks. Lamy's plea to the Global Services Summit in Washington comes amidst growing industry frustration with the lack of progress on services in the round and the mandated "sequencing" that requires negotiators to reach agreement first in the agriculture and non-agriculture market access (NAMA) talks before they turn to services. There is also concern about talk that negotiations will stop once deals are reached on agricul-

ture and NAMA modalities. To move services talks higher on the Doha agenda, ministers at the WTO ministerial meeting Nov. 30-Dec. 2 may be asked to revise the negotiating mandate to provide for "horizontal" talks that would bring services parallel to farm and NAMA.

A possible shift to another forum for services negotiations was signaled by USTR Ron Kirk and also in proposals by former USTR Charlene Barshefsky. Barshefsky told the summit that alternatives to the Doha Round could be a trilateral deal on services comprising the U.S., European Union (EU) and Japan or a sectoral deal on one major service, such as the Internet, similar to the sectoral agreements she negotiated as USTR on information technology, basic telecommunications and financial services.

Kirk told the conference that the U.S. would seek to add services to the agenda for the Asia-Pacific Economic Cooperation (APEC) forum, which will meet in Singapore Nov. 14-15. While the U.S. is committed to services negotiations in the Doha Round, "the offers in the services sector are just not there," Kirk said. "We have also opened a dialogue with APEC nations with the goal of invigorating the services trade throughout Asia," he noted. "We are asking our Asian trading partners to adopt new policies that will facilitate cross-border services trade. And if we are successful, that work will amplify our efforts at the WTO," Kirk said.

Afterwards, speaking to reporters, Kirk he was making the point that "we are looking across all these fora; one within the Doha Round, but secondly we will continue to move forward in APEC as well." Since the U.S. will host the APEC summit in 2011, Washington wants to be "creative and opportunistic," he said. "It may well be that APEC becomes the vehicle that allows us to get a meaningful services agreement first and then we can use that to take it to the WTO, if we aren't able to get it in Doha," Kirk explained.

Lamy said he understands that many are frustrated by the low pace of the Doha Round and by the fact that the fate of the services negotiations is linked to the other areas under negotiation. "There will be no Doha Round without a substantial services package, even more so now that many emerging economies are on the offensive on services," Lamy declared.

"It would be disingenuous to believe that services liberalization would be easier outside the Doha Round," he said. "Any agreement on services outside the Doha Round would, in any event, need to embrace the major service traders, which today are many emerging economies, to be worth-while," he said. "Would it be easier to convince China or Brazil to further open its financial and environment sectors outside the Doha Round? And on the other hand, would it be easier to convince the EU and the U.S. to further open its temporary entry for professional service providers outside the Doha Round?" Lamy asked.

Panama Ready to Negotiate Tax Treaty with U.S.

Panama is ready to negotiate a tax treaty with the U.S. that could move the timetable ahead quickly for congressional approval of the U.S.-Panama Free Trade Agreement (FTA), Panamanian Commerce Minister Roberto Henriques said Oct. 13. Panama is set to sign such an agreement with Italy on Oct. 19 and is working with Mexico, Spain and the U.S. to start talks on similar deals, he said. "This is a commitment our government has already agreed upon with the U.S. government," he said. "I see it as something happening in the next months," he added.

Congressional approval of the Panama FTA has been blocked by Democrats who have criticized the country's status as a tax haven and the limit on the ability of unions to organize in small companies with fewer than 40 workers. The Democrats want Panama to drop the threshold to 20 workers. "That's very easy. We are moving on that," Henriques said; adding that "it will eventually happen." After a long delay in consideration of the Panama FTA, chances for action may be improving. The negotiation of a new tax agreement will help. "We were holding on the pipeline and then suddenly we are moving very fast forward," Henriques said after speaking to the Global Services Summit in Washington. "We have several parties on the line. The U.S.

is the most important because we understand from the U.S. standpoint the government has linked that subject to the free trade agreement,” he explained. He indicated he was optimistic about chances for the FTA passing Congress because of “the signs we have received,” including from President Obama when he met with Panamanian President Ricardo Martinelli in New York during the United National General Assembly meeting in September.

Subdued Reaction to Treasury’s Currency Report on China

Congress is giving the Obama administration much more freedom to negotiate trade and finance deals with China than it gave the Bush administration. Rather than having punitive legislation aimed at China hanging over his head, President Obama is being allowed to pursue a policy that is not much different from President Bush’s. A sign of congressional leniency was seen in the mild reaction Oct. 15 to Treasury’s latest report on international exchange rates and its decision again not to name China a currency manipulator. Although the department believes Beijing is not manipulating its currency, “Treasury remains of the view that the renminbi is undervalued,” the report said. “Both the rigidity of the renminbi and the reacceleration of reserve accumulation are serious concerns which should be corrected,” it stated.

Rather than the outrage that greeted similar Bush administration statements, lawmakers had mild reactions this time. “While I applaud President Obama’s recent call to rebalance the global economy, I would like to see a more aggressive approach to correcting this unfair trade advantage that is widely acknowledged by almost everyone but the U.S. Treasury Department,” said a statement from Sen. Sherrod Brown (D-Ohio). “I hope that, with strong leadership from the United States, the G-20 nations and our international institutions will undertake what has been missing -- a focused, sustained, and meaningful multilateral engagement to address currency manipulation and current imbalances,” said Ways and Means trade subcommittee chairman Sander Levin (D-Mich.).

* * * Briefs * * *

COLOMBIA: At meeting Oct. 13, USTR Ron Kirk and Colombian Trade Minister Luis Guillermo Plata continued discussion of measures Bogota will have to take to strengthen labor laws and increase prosecution of those involved in crimes against union leaders, but Kirk gave Plata no estimate on when Obama administration would be ready to bring Colombia FTA to Congress for approval, sources report.

ENCRYPTION: BIS in Oct. 15 Federal Register issued final rule revising EAR to clarify and correct changes it made to encryption regulations in October 2008.

EXPORT ENFORCEMENT: GE’s GE-Homeland Protection agreed Sept. 25 to assume successor liability for InVision Technologies, Inc., firm it acquired in December 2004. In settlement with BIS, it will pay \$22,000 fine to resolve four charges that InVision exported spare parts for explosive detection systems to South Korea and South Africa without approved licenses in November 2004, before it was acquired by GE. GE-HP had filed a voluntary self-disclosure and neither admitted nor denied BIS charges.

MORE EXPORT ENFORCEMENT: Griffin & Howe, Bernardsville, N.J., gun shop, agreed with BIS Sept. 29 to pay a \$67,000 civil fine for allegedly exporting optical sights and shot guns without licenses. It will pay \$6,700 within 30 days and remaining \$60,300 in nine monthly payments of \$6,700 each.

STEEL PLATE: ITC Oct. 13 made final “sunset” review determination on 6-0 vote that revoking antidumping orders on cut-to-length carbon steel plate from China and terminating suspended investigations on imports from Russia and Ukraine would lead to recurrence of injury to U.S. industry.

EX-IM BANK: Final tally for Ex-Im Bank financing in fiscal 2009, which end Sept. 30, 2009, added up to \$21.02 billion in loans, guarantees and export credit insurance; more than originally projected and most funding since bank was founded in 1934 (see WTTL, Sept. 14, page 1).

SEATTLE PLUS 10: Anti-trade groups will launch campaign Oct. 19 to celebrate failure of WTO Seattle Ministerial in 1999 and to seek adoption of new trade rules at coming ministerial in Geneva Nov. 30.