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2024 Budget Plans China Countermeasures

President Biden's **\$6.9 trillion fiscal year 2024 budget request** puts an emphasis throughout on out-competing China by increasing investments in domestic manufacturing and infrastructure, while maintaining a strong US presence in the Asia Pacific. "China is the United States' only competitor with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military, and technological power to do it," according to the President's introduction to his budget. "During these unprecedented and extraordinary times, the Budget requests both discretionary and mandatory resources to out-compete China and advance American prosperity globally."

The State Department's Budget calls for implementing the Administration's "invest, align, compete" strategy towards China by proposing \$400 million in discretionary funding to counter specific problematic Chinese behaviors globally through the Countering PRC Influence Fund.

In addition, the budget includes a new, multifaceted interagency mandatory proposal to Out-Compete the PRC. This includes \$2 billion to support high-quality, strategic "hard" infrastructure projects globally; \$2 billion to strengthen Indo-Pacific economies and support US allies in pushing back against predatory efforts; \$2 billion for a new revolving Fund at the **Development Finance Corporation** to boost equity investments, and \$7.1 billion over 20 years to support the renewal of the **Compacts of Free Association**.

For the **US Trade Representative's Office**, the budget requests \$77.78 million, an increase of \$1.87 million over the current fiscal year. This amount includes \$62.87 million available directly to USTR and \$15.0 million allocated through the Trade Enforcement Fund.

"Our Fiscal Year 2024 Budget will allow us to implement the Biden-Harris Administration's vision to use trade to pursue resilient, sustainable, and inclusive economic growth, while increasing America's competitiveness on the global stage," US Trade Representative Katherine Tai commented.

The Commerce Department would receive \$12.3 billion in discretionary funding and \$4 billion in mandatory funding. Commerce's budget emphasizes US manufacturing, including \$21 million to establish a Supply Chain Resiliency Office within the International Trade Administration.

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ITA also would get \$5 million to assist the Treasury Department in the possible creation of a program to address national security risks associated with outbound investments, which would prevent US capital and expertise from financing advances in critical sectors that undermine US national security while not placing an undue burden on US investors and businesses.

The budget includes \$3 million to support ITA's engagement with the 13 Indo-Pacific Economic Framework and **\$420 million for ITA's Global Markets, or export promotion**, which includes an additional \$17 million to support US export competitiveness and enhance the US' ability to counter unfair trade practices and economic coercion by China. The Global Markets unit combines ITA's country and regional experts, overseas and domestic field staff, and specific trade promotion programs to provide U.S. firms with the full suite of country-specific export promotion services and market access advocacy, while promoting the United States as an investment destination.

CBP / Uyghur Enforcement Picks Up

Our friends at Sandler Travis & Rosenberg report CBP is now detaining PVC products such as vinyl flooring under the UFLPA and asking importers to trace these items back to their originating chemicals such as chlorine, carbon, and ethylene. While the UFLPA specifies tomatoes, cotton and polysilicon as high-priority sectors for UFLPA enforcement, **according to detention notices CBP issues with regard to potentially violative goods, PVC has been added as a sector of concern** after aluminum was added in October 2022.

A June 2022 [report](#) published by UK's Sherffield Hallam University and Maine's Materials Research notes that the top export application for China-originating PVC is luxury vinyl floor coverings. PVC flooring resins made in China are present in more than one-quarter of all flooring sold in the U.S.

- The two largest PVC manufacturers in China are both state-owned enterprises based in the XUAR
- All of the Uyghur Region's PVC companies have been active participants in the XUAR's notorious labour transfer programs.

Those companies export to 73 intermediary manufacturers, who then export PVC-based building materials to at least 158 companies worldwide. Brands selling flooring at very high risk of Xinjiang inputs include Home Legend for Home Depot, Armstrong, Mannington Mills, Mohawk, Lumber Liquidators, Congoleum, and many others.

CBP Outreach Efforts

CBP is undertaking multiple efforts to provide more information for companies seeking to comply with the Uyghur Forced Labor Prevention Act and Section 307 of the Tariff Act of 1930 (19 U.S.C. 1307).

- On **February 23, 2023**, CBP released additional guidance on enforcement and review procedures under the Uyghur Forced Labor Prevention Act:
 - [More detailed FAQs](#)
 - [Best Practices for Applicability Reviews](#)
 - [Guidance on Executive Summaries and a Sample Table of Contents](#)

- On **March 14-15, 2023**, CBP's Office of Trade will host the Forced Labor Technical Expo in Washington D.C. The Forced Labor Technical Expo will offer a forum for industry to provide the international trade community with information about the latest technologies that can aid in securing and managing the flow of goods.

ACE Updates for UFLPA

On **March 18, 2023**, CBP will deploy the Uyghur Forced Labor Prevention Act (UFLPA) Region Alert enhancement to the Automated Commercial Environment (ACE). This enhancement will provide an early notification to importers and their representative of goods that may have been produced in the Xinjiang Uyghur Autonomous Region (Xinjiang or XUAR) and may be excluded from importation into the United States. This enhancement includes electronic data interchange (EDI) impacts.

What will change for trade users?

The UFLPA Region Alert will add three new validations to ACE in specific applications. The validations will be:

- Postal code will be a required field.
- Users will receive an error message if the postal code provided is not a valid Chinese postal code.
- Users will receive a warning message when a XUAR region postal code is provided.

Importers may request an exception to the rebuttable presumption from CBP during a detention, after an exclusion, or during the seizure process as described in the [UFLPA Operational Guidance for Importers](#)

Seventh USMCA Rapid Response Labor Case Filed

The Administration – for the seventh time – invoked the US-Mexico-Canada Agreement's rapid response labor mechanism, this time over whether workers at an American facility in Mexico are being denied the rights of free association and collective bargaining.

The March 6 complaint against the **Auburn-Hills Michigan-based Unique Fabricating** facility in Santiago de Querétaro, is in response to a petition received from a number of Mexican labor organizations. USMCA allows the United States to take enforcement actions against *individual factories* if they fail to comply with domestic freedom of association and collective bargaining laws.

As a result, the US Trade Representative has submitted a request that Mexico review whether workers at the Unique facility are being denied the right of free association and collective bargaining. Mexico has ten days to agree to conduct a review and, if it agrees, 45 days from today to complete the review. In connection with the request, Ambassador Katherine Tai has directed the Treasury Secretary to suspend the liquidation for all unliquidated entries of goods from the Unique Fabricating facility.

So far all USMCA Labor actions taken against Mexican employers have been against subsidiaries of American corporate parents, known as *maquiladoras*. In addition to Unique's plant in central Mexico, Rapid Response complaints have targeted:

- **General Motors** facility in Silao, Mexico
- **Brookfield Asset Management's** Cardone Industries facility in Matamoros,
- **Panasonic Automotive** Systems de Mexico S.A. de C.V. facility in Reynosa,
- **Stellantis (Fiat-Chrysler)** unit Teksid facility in State of Coahuila,
- **Troy Michigan-based VU Manufacturing's** facility in Piedras Negras, has been cited twice, in July, 2022 and again in January 2023. [\[USTR Details\]](#).

Wyden, Crapo Slam EU Digital Trade Policies

Two leading senators are calling on the Administration to press the European Union on the discriminatory aspects of EU digital regulations that they say target a handful of US companies. In a letter to President Biden, Senate Finance Committee Chair Ron Wyden (D-Ore) and ranking Republican Mike Crapo (Idaho) said that the EU regulations target US companies while failing to regulate similar companies based in Europe, China, Russia and elsewhere.

The senators wrote that the digital regulations should be addressed as part of the bilateral Trade and Technology Council and in discussions with the EU regarding implementation of the Inflation Reduction Act. The IRA is expected to be a key item of discussion at today's meeting between the two Presidents.

"The EU's regulatory efforts underlying the Digital Services Act (DSA), Digital Markets Act (DMA), digital services taxes, and other proposals target American technology companies, threaten them with enormous tax bills, compliance costs, and regulatory penalties, and give the competitive edge to the homegrown European industry," the senators wrote.

"We support thoughtful, even-handed policies to protect consumers and encourage competition online. However, regulatory efforts that discriminate against U.S. employers and their workers by exempting the EU's domestic companies, and even other foreign companies, are both unfair and counterproductive to the purported goals of ensuring privacy, protecting consumers, and promoting national security," they continued.

The Administration must make its concerns clear now, before the EU moves forward with implements of the regulations, the senators said. They also noted that Brussels "is threatening to resurrect its digital services tax, which is nothing but the EU's transparent effort to raise money by taxing American technology companies while sparing its own constituents."

Federal Research Security Draft Released

The White House Office of Science and Technology Policy (OSTP) requests comments from the public on draft **Research Security Programs Standard Requirement** developed in response to *National Security Presidential Memorandum 33 on National Security Strategy for United States Government-Supported Research and Development (R&D)*. Interested parties should comment on or before 5 p.m. ET June 5, 2023. [\[FR Notice\]](#)

National Security Presidential Memorandum 33 directs that, "heads of funding agencies shall require that research institutions receiving Federal science and engineering support in excess of 50 million dollars per year certify to the funding agency that the institution has established and operates a research security program. Institutional research security programs should include elements of cyber security, foreign travel security, insider threat awareness and identification, and, as appropriate, export control training."

On January 4, 2022, the National Science and Technology Council released *Guidance for Implementing National Security Presidential Memorandum 33 (NSPM-33)*, charging OSTP with “coordinat[ing] activities to protect Federally funded R&D from foreign government interference, and outreach to the United States scientific and academic communities to enhance awareness of risks to research security and Federal Government actions to address these risks.” A similar charge is captured in the National Defense Authorization Act of 2020.

A Draft Standard Requirement has been completed and is available for review

at: https://www.whitehouse.gov/wp-content/uploads/2023/02/RS_Programs_Guidance_public_comment.pdf

As a condition for receiving and maintaining Federal science and engineering support, all covered research organizations must certify that they maintain a research security program that meets the requirements for foreign travel security, research security training, cybersecurity, and export control training, Covered research organizations must maintain a description of the finalized research security program, made available on a publicly-accessible website, with descriptions of each item contained in this Memorandum. CUI information attached to areas such as cybersecurity or export controls need not be made public.

- **Foreign Travel Security** International travel policies must established or maintained for covered individuals (see Definitional Appendix) engaged in federally funded R&D who are traveling internationally for organizational business, teaching, conference attendance, research purposes, or who receive offers of sponsored travel for research or professional purposes.
- **Research Security Training** must be implemented as a component of research security programs required for qualifying organizations in accordance with NSPM-33
- **Cybersecurity** Implement baseline safeguarding protocols and procedures for information systems used to store, transmit, and conduct federally funded R&D. Cybersecurity standards for research security purposes will be guided by Section 10229 of the CHIPS and Science Act.
- **Export Control Training** Organizations conducting R&D that is subject to export control restrictions must provide training to relevant personnel on requirements and processes for reviewing foreign sponsors, collaborators and partnerships, and for ensuring compliance with Federal export control requirements and restricted entities lists.

Areas subject to Federal export control requirements and restricted entities are defined through the International Traffic in Arms Regulations (ITAR) and Export Administration Regulations (EAR). The training must emphasize that the “fundamental research” exception has explicit limitations. For example, federally funded R&D of “applied” energy technologies (i.e., “applied research”), many with dual-uses (civilian and military), fall outside of any exception and are subject to such laws.

Axelrod Updates Academic Research Efforts at BIS

Assistant Secretary for Export Enforcement Matthew S. Axelrod reviewed his team's initiatives in the Research Community in a March 8th speech to the *Academic Security and Counter Exploitation Program's Seventh Annual Seminar*. Among the announcements was an expansion of the program from the initial 20 research institutions, as a training initiative on fundamental research in Academic settings. *Full Coverage of Axelrod's speech can be read on our website [\[here\]](#).*

*** Briefs ***

Canada & US Call for Mexican Corn, Energy Relief. Washington and Ottawa are applying pressure on Mexico to permit broader genetically modified seed sales, as well as to encourage the liberalization of Mexican energy markets. United States Trade Representative and Canada have requested technical consultations with the Government of Mexico under the *Sanitary and Phytosanitary Measures (SPS)* Chapter of the United States–Mexico–Canada Agreement (USMCA). These consultations regard certain Mexican measures concerning products of agricultural biotechnology, and have one month to reach a resolution.

Mexico published a presidential decree on genetically modified (GM) corn in late 2020, saying it would ban GM corn in the diets of Mexicans and end the use of the herbicide glyphosate by Jan. 31, 2024. President Andres Manuel Lopez Obrador has said GM seeds can contaminate Mexico's age-old native varieties and has questioned their impact on human health. Canada, while not a major corn exporter, is reportedly concerned about Mexico putting arbitrary prohibitions on agriculture produced using biotechnology.

Senate Agriculture, Nutrition, & Forestry Committee Ranking Member John Boozman(R-AR): “Trade agreements are meaningless if our partners refuse to abide by them. Mexico’s attempts to ban U.S. biotech corn is a clear-cut example of a partner going back on its word... Ambassador Katherine Tai and her team ought to be commended for standing up for American farmers and taking the necessary actions to hold Mexico to the agreement they signed.”

Energy Industry Lobbies USTR Mexico has yet to take meaningful steps to address the energy policy issues raised by the US, the **American Petroleum Institute, American Clean Power Association and National Association of Manufacturers** wrote in a letter Friday to US Trade Representative Katherine Tai. Mexican electrical utility CFE and state-owned Pemex benefit from policies both the US and Canada contend violate the terms of the USMCA.

US Brazil Trade Talks to Begin. US and Brazilian trade officials are planning to revitalize the bilateral Agreement on Trade and Economic Partnership. **US Trade Representative Katherine Tai** spent last week in Brasilia, where she met with Brazil’s Vice President and Minister of Development, Industry, Foreign Trade and Services Geraldo Alckmin and Minister of Foreign Affairs Mauro Vieira.

They agreed to use the agreement to strengthen and deepen bilateral trade relations and directed their technical teams to develop a work program “that can help create more resilient supply chains, spur investment in clean technologies, promote the rights of workers, and create shared prosperity,” according to a USTR readout. Ms. Tai hopes to convene a meeting before the end of this year.

The officials also discussed the Administration’s ongoing efforts to reform the World Trade Organization’s negotiating function, committee work and dispute resolution, including the dispute settlement system. Ms. Tai “underscored the importance of working with Brazil as well as other developed and developing Members to identify solutions that help ensure the WTO is more responsive to the challenges and opportunities in today’s global economy.” Ms. Tai separately met with a group of civil society leaders to discuss the importance of policies that encourage equitable and inclusive prosperity.

USDA Product of USA Label Rules A proposed rule issued yesterday by the Agriculture Department contains new regulatory requirements aimed at better aligning the voluntary “Product of USA” label claim with consumer understanding of what the claim means. The proposed rule allows the voluntary “Product of USA” or “Made in the USA” label claim to be used on meat, poultry, and egg products only when they are derived from animals born, raised, slaughtered and processed in the United States.

The increased clarity and transparency provided by this proposed change would prevent consumer confusion and help ensure that consumers understand where their food comes from, according to USDA. “American consumers expect that when they buy a meat product at the grocery store, the claims they see on the label mean what they say,” **Agriculture Secretary Tom Vilsack** commented. “These proposed changes are intended to provide consumers with accurate information to make informed purchasing decisions.”

The rulemaking also proposes to allow other voluntary US origin claims on meat, poultry and egg products sold in the marketplace. These claims would need to include a description on the package of all preparation and processing steps that occurred in the United States upon which the claim is made.

Senate Calls for ASEAN Envoy. Senate Foreign Relations Committee leaders are proposing the creation of a permanent US mission for the Association of Southeast Asian Nations to help counter China’s influence in the region. **Committee Chairman Bob Menendez** (D-NJ) and **ranking Republican Jim Risch** (Idaho) have introduced bipartisan legislation to strengthen US-ASEAN relations.

The bill would authorize ASEAN’s formal designation as an international organization with diplomatic privileges and immunities, paving the ways for creation of a permanent ASEAN mission in the United States. “As countries like China increasingly engage in predatory economic behavior, the United States must put greater focus on Southeast Asia, especially through trade, investment, and other economic engagement,” Sen. Risch said.

ODNI National Threat Assessment. The Office of the Director of National Intelligence released the 2023 Annual Threat Assessment of the U.S. Intelligence Community. The report highlights the vulnerabilities of supply chains and cyber infrastructure to adversaries, as well as some under appreciated environmental, demographic and domestic political threats. China will remain the top threat to U.S. technological competitiveness, as Beijing targets key sectors and proprietary commercial and military technology from U.S. and allied companies and institutions. A summary of the relevant findings and analysis can be found on our website [\[here\]](#).

Anti-Money Laundering Group Suspends Russia, Issues Guidance. The Financial Action Task Force (FATF), an intergovernmental body that establishes international standards for anti-money laundering, suspended Russia from its ranks, citing the Russian Federation’s “actions unacceptably run counter to the FATF core principles aiming to promote security, safety, and the integrity of the global financial system.”

The FATF also issued long-awaited guidance for members to implement its Recommendation 24, requiring countries to ensure that competent authorities have access to adequate, accurate and up-to-date information on the true owners of companies.

The FATF issued a public statement on February 24 at the conclusion of its plenary meeting announcing its suspension of the Russian Federation's membership from FATF. The statement notes that "the Russian Federation's actions unacceptably run counter to the FATF core principles aiming to promote security, safety, and the integrity of the global financial system." More detail on the group's decision and *Guidance for Recommendation 24* can be found on our website [\[here\]](#).

SEC Settles Rio Tinto Graft Case The Securities and Exchange Commission announced charges against and a settlement with global mining and metals company, Rio Tinto plc, for violations of the Foreign Corrupt Practices Act (FCPA) arising out of a bribery scheme involving a consultant in Guinea. The company has agreed to pay a \$15 million civil penalty to settle the SEC's charges. [\[full story\]](#)

White House Backs "TikTok Bill" The White House immediately endorsed a bipartisan Senate bill introduced Thursday to prevent national security risks posed by technology services from companies like China's TikTok, which is increasingly being banned from government smartphones.

The Restricting the Emergence of Security Threats that Risk Information and Communications Technology Act would comprehensively address the ongoing threat posed by technology from foreign adversaries by better empowering the Commerce Department to review, prevent and mitigate information communications and technology transactions that pose undue risk to our national security, according to its sponsors.

The legislation was introduced by **Sens. Mark Warner** (D-Va) and **John Thune** (R- SD), along with 12 other senators. **White House National Security Advisor Jake Sullivan** said the Administration is urging Congress to quickly approve the legislation and get it to the President's desk for his signature. "This bill presents a systematic framework for addressing technology-based threats to the security and safety of Americans," Mr. Sullivan said. "This legislation would provide the US government with new mechanisms to mitigate the national security risks posed by high-risk technology businesses operating in the United States.

"Critically, it would strengthen our ability to address discrete risks posed by individual transactions, and systemic risks posed by certain classes of transactions involving countries of concern in sensitive technology sectors. This will help us address the threats we face today, and also prevent such risks from arising in the future."

While the bill has been called a reaction to TikTok, the legislation is meant to address a bigger threat, Sen. Warner commented. "We need a comprehensive, risk-based approach that proactively tackles sources of potentially dangerous technology before they gain a foothold in America, so we aren't playing Whac-A-Mole and scrambling to catch up once they're already ubiquitous." The bill establishes a risk-based process, tailored to the rapidly changing technology and threat environment, by directing Commerce to identify and mitigate foreign threats to information and communications technology products and services. [\[more\]](#)

Allies Finally Budge on Conflict Diamonds Following through on their commitment to "work collectively on further measures on Russian diamonds," made after last month's G-7 Summit, US and European Commission officials met March 6th to discuss with representatives of leading diamond retailers, manufacturers, laboratories, and industry trade associations future Russia-related import measures. Russia continues to earn billions of dollars from the diamond trade, and the discussion centered on the most effective and impactful ways to disrupt that revenue stream. Progress has been impeded by resistance from the Belgian government, which has now ended. [\[more\]](#)

*** Calendar ***

CBP Forced Labor Technical Expo Tuesday, March 14, 2023 (*opening remarks & industry presentations, including a DHS-led panel discussion, 8 a.m. to 5 p.m., EST*), and Wednesday, March 15, 2023 (*opening remarks & industry presentations, including a CBP-led panel discussion, 8 a.m. to 5 p.m.*),
LIVESTREAM: <https://www.youtube.com/user/customsborderprotect/live>

DDTC Webinar: DECCS 101 Refresher. March 21st from 2:00- 3:00 PM ET Join Department of State, Directorate of Defense Trade Controls' (DDTC) IT Modernization Team for a 101 refresher of the Defense Export Control and Compliance System (DECCS) application suite and an overview of new updates for DECCS. The webinar will cover general user management functionality within DECCS, as well as a brief overview of Commodity Jurisdictions, Advisory Opinions, Registration, and Licensing applications, AND process updates to Electronic Export Information (EEI) filings through the Automated Export System (AES) when citing United States Munitions List (USML) Category XXI. Register:
<https://www.census.gov/data/academy/webinars/2023/deccs-101-refresher-and-important-updates.html>

WITA Welcomes Dr. Ngozi Okonjo-Iweala, Director-General of the WTO.

Wednesday, April 12, 2023. 9:30 AM - 12:00 PM ET. Hybrid: In-person and via Zoom | In-Person Event in the Rotunda | Ronald Reagan Building & International Trade Center, 1300 Pennsylvania Ave, NW, Washington, DC

The Regulations and Procedures Technical Advisory Committee (RPTAC) will meet March 21, 2023, 9:00 a.m., Eastern Standard Time, via hybrid. The Committee advises the Office of the Assistant Secretary for Export Administration on implementation of the Export Administration Regulations (EAR) and provides for continuing review to update the EAR as needed.

The Materials and Equipment Technical Advisory Committee will meet on March 30, 2023, 10 a.m., Eastern Daylight Time. The meeting will be virtual.

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