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OFAC LETS NEWSPAPERS EDIT ARTICLES FROM SANCTIONED COUNTRIES

Treasury's Office of Foreign Assets Controls (OFAC) has issued an advisory opinion that will allow U.S. newspapers to edit articles and "op-ed" pieces written by nationals from Iran, Cuba, Libya and Sudan under the information and informational materials exemption to current sanctions regulations. The July 19 letter to an undisclosed party gives newspapers the same ability to edit such materials as OFAC granted to scientific journals (see **WTTL**, July 19, page 1). "It is our understanding that the goal of the editorial activities described in your letter is to add clarity to the work to be published in the newspapers," OFAC Director Richard Newcomb said in the letter. He then addressed four questions raised in the request for the advisory opinion.

> Newspapers can translate a work into English under the exemption, the letter said. "The translation into English by a U.S. person of an article or commentary from an individual or publication in one of the sanctioned countries for dissemination in a U.S. newspaper would be exempt from the regulations," it declared.

In addition, the piece could be edited to delete "superfluous text, while offering no substantive changes, additions or rearranging of the text," the letter continued. The requestor had submitted an article from the Iran News, which it wanted to edit for space to clarify the message. Moreover, the newspaper could edit the article to correct grammar, syntax or spelling errors. OFAC said newspapers could edit articles to make them more cohesive, efficient, argumentative or effective. Such editing "to make the work more understandable to the newspaper's readers and to make the work conform to the newspaper's editorial standards would not constitute substantive or artistic alteration or enhancement of the article or commentary," OFAC advised.

SUPACHAI REJECTS CALL FOR EMERGENCY WTO TEXTILE MEETING

World textile manufacturers, who are pushing for an extension of the Multifiber Arrangement (MFA) beyond 2004, lost their bid to get an emergency meeting of the World Trade Organization (WTO) to address their concerns. Following a meeting with about two dozen WTO members Aug. 3, WTO Director General Supachai Panitchpakdi said the issue should be discussed at the regular Oct. 1 meeting of the WTO Council on Trade in Goods (CTG).

The CTG is already schedule to hear a final report on the implementation of the Agreement on Textiles and Clothing (ATC) and the scheduled elimination of textile and apparel quotas. Supachai held the informal meeting with WTO delegates in Geneva in response to a request from Mauritius, which, along with Bangladesh and Nepal, wants the WTO to hold a special meeting to address the expected disruption of the economies of countries that will lose their

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share of the global textile market when quotas are ended Dec. 31, 2004. Attending Supachai's meeting were several producers, such as China and India, who oppose extension of the quota system beyond this year (see **WTTL**, July 26, page 4). Because the ATC was part of a "single undertaking" in the balance of concessions that led to the Uruguay Round agreement, the ATC can't be reopened without unraveling that balance, some countries argued at the meeting.

> Since any change in the ATC or the Uruguay Round agreement would require consensus of all WTO members, no change in the agreement is expected, sources in Geneva say. Supachai told the special meeting that "overall ATC implementation would bring considerable welfare and efficiency gains for the global economy as well as benefits for the consumers."

U.S. WAITING FOR AUSTRALIA TO OVERCOME OPPOSITION TO FTA

In an ironic twist, it is now Australia that is having trouble getting its free trade agreement (FTA) with the U.S. passed by its parliament rather than Washington. As President Bush was signing the U.S.-Australia FTA into law Aug. 3, a companion package of implementing legislation was stalled in the Australian Senate over local content rules for television and radio and prescription drug patents. The Australian House of Representatives, where the ruling Coalition government has a clear majority, passed the package June 24. At press time, efforts to reach a compromise in the Senate were still underway.

> As part of the compromise, Australia's Labor government has offered to support legislation to aid the domestic Australian film industry. It has resisted changing the patent law to assure the availability of generic drugs for Australia's drug reimbursement program, claiming the current law is adequate. "Our position is that the Free Trade Agreement fully protects the Pharmaceutical Benefits Scheme," said Australian Prime Minister John Howard Aug. 4.

ADMINISTRATION ISSUES FINAL RULES ON IRAQ EXPORT CONTROLS

The long-anticipated shift of licensing jurisdiction for exports to Iraq to the Bureau of Industry and Security (BIS) from Treasury's Office of Foreign Assets Controls (OFAC) came July 30 as the two agency's published regulations in the Federal Register implementing the move. President Bush issued a separate executive order July 29 declaring an end to the national emergency that had imposed sanctions on Iraq starting in 1990. Licenses issued already by OFAC for goods on the Commerce Control List (CCL) will remain in effect until their expiration dates. All new licenses for CCL items must go to BIS as of July 30.

> Except if intended for use in rebuilding Iraq's civil infrastructure, items controlled by various multilateral control regimes, including controls for chemical (CB), nuclear (NP), national security (NS), and missile technology (MT), will face a policy of denial, the BIS rules state. Exports will be entitled to License Exceptions CIV, CTP, TMP, RPL, GOV, GFT, TSU, BAG, AVS, ENC and KMI. Iraq has been removed from Country Group E:1, which applies to terrorist-supporting nations, and placed in Country Groups D:1, D:2, D:3 and D:4. In a separated executive order July 21, President Bush eased restrictions on sales of Munitions List items to Iraq under the Arms Export Control Act.

WTO INTERIM RULING ON SUGAR ADDS PRESSURE TO DOHA ROUND

The European Union's (EU) expected response to an interim WTO ruling against its sugar program offers a contrast to how the U.S. is likely to deal with a similar loss in a WTO dispute over cotton. Although the sugar decision released confidentially to parties Aug. 4 by a WTO dispute-settlement panel is a long way from being final, the EU has already proposed changes that it claims will bring the program into conformity with WTO rules. The U.S. isn't expected to change its cotton program until after the Doha Round ends and a new Farm Bill is enacted.

> According to one EU source, the European Commission has decided seek changes in the Common Agriculture Program (CAP) and the sugar program before being forced to by either a WTO panel ruling or any eventual Doha Round agreement. Commission officials believe it is better politically to argue that these changes are for the benefit of the EU rather than say they were forced to make them by the WTO, the source explained.

The sugar ruling, which won't be released in final form until the fall, responded to complaints from Brazil, Australia and Thailand, which claimed EU export subsidies for sugar exceed allowed limits and violate WTO rules. The Commission, the EU's executive branch, has proposed a plan to cut sugar export funds, abolish intervention, reduce production and reduce internal prices. Sources say the sugar and cotton rulings and potential new complaints aimed at other supported exports such as rice are likely to become major factors in the Doha Round.

PROTECTIVE GEAR MAKERS QUESTION NEW EXPORT REGULATION

Representatives of firms that make personal protective equipment (PPE) met Aug. 4 with Bureau of Industry and Security (BIS) staff to get clarification on how the agency intends to implement new regulations that have shifted licensing jurisdiction for their products to the Commerce Control List (CCL) from State's Munitions List (ML) (see **WTTL**, May 24, page 4). Industry representatives want BIS to be sensitive to the fact that the change in the rules will impose new licensing requirements that their firms have not faced before.

> BIS officials said they have received only a few licenses under the revised regulations, so they had little advice to give the industry. At some point, however, the agency will issue guidance to licensing officers on the rules, they promised.

"The regulation could have a potential negative impact on international sales because it could disrupt distribution channels," one industry source told WTTL. Most of the sales of these products have been to firefighting and emergency organizations, but with increased global concerns about terrorism, sales are growing and going to new customers. "We were glad to hear that it [the new rule] is not being construed as a rule that seeks to control PPE that's "capable" of protecting against radiological, biological and chemical hazards," the source noted. Such a construction would significantly expand the level of controls, he noted.

ZOELLICK CONFIRMS SMALL IMPACT ON FARM SUBSIDIES IN WTO ACCORD

U.S. Trade Representative (USTR) Robert Zoellick Aug. 4 confirmed what developing-country critics, particularly in Brazil, have said about the proposed, first-year, 20% reduction in farm subsidies under the Framework Agreement reached by WTO negotiators July 31: it will have no impact on U.S. subsidies (see **WTTL,** Aug. 2, page 1). Countering complaints that the U.S. gave too much, Zoellick argued that Washington gave little but gained a lot in winning concessions on export subsidies, state-trading enterprises and market access. Developing countries have complained that the 20% cut is from a bigger base of subsidies than is currently allowed.

> In response to a letter that Senate Minority Leader Tom Daschle (D-S.D.) wrote to President Bush Aug. 3 criticizing the WTO agriculture deal, Zoellick denied the senator's claim that the deal would require cuts in current farm programs in the first year. "This not the case," Zoellick declared.

"Moreover, the 20 percent reduction in domestic support that you cite in your letter applies to <u>all</u> forms of trade-distorting domestic support, which is more than double our current $19.1 billion ceiling for one category of domestic support," Zoellick wrote to Daschle. "The framework even creates an opportunity to place partially decoupled U.S. safety-net programs created in the 2002 Farm Bill – known as counter-cyclical support – into the "blue box," something not possible under current rules," he explained.

INDICTMENT CONTAINS MORE ALLEGATIONS ON EXPORTS TO CHINA

A federal grand jury in Newark, N.J., handed up a 46-count indictment July 28 of Teng Fang Li (also known as Terry Li) and his wife, Nei-Chen Chu (also known as Pearl Li) for alleged unlicensed exports to China of various semiconductors and analog convertors. Terry Li and six other associates were arrested previously under a criminal complaint July 1as part of an alleged front operation used by Chinese government research institutes to acquire controlled U.S. goods and technology (see **WTTL**, July 5, page 3).

> Li's firm, Universal Technology and another firm, Manten Electronics, in Mount Laurel, N.J., were cited as the conduits for the allegedly illegal transfers. The indictment of Li identifies unlicensed exports of items made by such U.S. firms as Aeroflex, Analog Devices, Cypress, Intel and Texas Instruments. [**Editor's Note**: A copy of the indictment will be sent to WTTL subscribers on request.]

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DOMINICAN REPUBLIC: USTR Robert Zoellick and representatives from five Central American countries signed FTA Aug. 5 with Dominican Republic, creating DR-CAFTA. "The administration plans to submit a single legislative package to Congress to implement the new trade agreement with the five Central American countries and the Dominican Republic," said a statement from the USTR's office. No date has been announced for when that legislation will be submitted.

EXPORT ENFORCEMENT: BIS agreed to accept $54,000 civil fine from Kwik-Site Corp. of Wayne, Mich., to settle charges that firm exported firearm scope mounts on 101 occasions without approved licenses. Fine could have been over $1 million. Firm made 92 shipments to Canada and nine to Austria, Finland, Macedonia, Sweden and Switzerland.

STATE: State in July 26 Federal Register issued notice rescinding debarment of Fuchs Electronics (Pty), including Fuchs Electronics division of Reunert Limited. Debarment was imposed in 1997 after Fuchs pled guilty to violating Arms Export Control Act. It was temporarily suspended in 1998.

CHINESE FURNITURE: ITA July 30 revised preliminary dumping margins on wooden bedroom furniture from China to reflect "ministerial errors" found after its initial preliminary decision June 18 (see **WTTL**, June 21, page 2). Reexamining its initial finding, ITA has granted separate rates for 20 Chinese exporters formerly lumped into all-other rate. These firms will now get separate dumping rate of 10.92% compared to initial rate of 198.08%. ITA also lowered rate for Dorbest Group to 11.85% from 19.24%, but it raised rates for Starcorp Group to 30.52% from 24.34% and for Tech Lane Group to 29.72% from 9.36%.

CUSTOMS: Bureau has named Jeffrey Grode to be executive director for agriculture inspection policy and programs. It also appointed E. Keith Thomson to be assistant commissioner for international affairs.

EX-IM BANK: As part of its requirements to consider economic impact on U.S. industry from exports it finances, Bank asked for public comment in Aug. 5 Federal Register on application it has received to help fund export of approximately $500 million in semiconductor manufacturing equipment to China.

UNVERIFIED LIST: BIS removed five Chinese entities from Unverified List in July 28 Federal Register, because it was able to conduct post-shipment verifications (PSV). It dropped from list Shannxi Telecom Measuring Station, Yunma Aircraft Manufacturing, Civil Airport Construction, Huabei Petroleum Administration Bureau Logging Company and Beijing San Zhong Electronic Engineering. As in July 16 notice adding five entities, new notice includes change in policy on unverified list, saying list covers "persons in foreign countries in transactions where BIS is not able to verify the authenticity of the end-user, intermediate consignees, ultimate consignees or other parties to the transaction"(see **WTTL**, July 19, page 4).

ZIMBABWE: OFAC issued new rules in July 29 Federal Register to block property and prohibit dealing with entities and persons who have been identified as undermining democratic process and institutions in Zimbabwe. New regulations implement policy President Bush set in executive order in March 2003.