

ISSN 0276-8275

WTTOnline.com

A Weekly Report for Business Executives on  
U.S. Trade Policies, Negotiations, Legislation,  
Trade Laws and Export Controls

# Washington Tariff & Trade Letter®

Publisher: Martin Kalin • Editor: Meredith Gilston

Vol. 42, No. 12

March 21, 2022

## Russia, Belarus to Lose PNTR Status

In a 424-8 vote March 17<sup>th</sup> the House of Representatives voted to eliminate Permanent Normal Trade Relations with Russia, leading to higher tariffs and other restrictions. Passage in the Senate and Presidential approval are expected shortly.

Voting against the measure were Reps. Greene (R-GA), Gaetz (R-FL), Boebert (R-CO), Massie (R-KY), Biggs (R-AZ), Bishop (R-NC), Grothman (R-WI), and Roy (R-TX).

The measure also expands the Global Magnitsky Human Rights Accountability Act, passage of which was a condition of PNTR extension to Russia. It was Magnitsky Act sponsor Sen. McCain (R-AZ) who said of Russia at the time: *"It is a gas station run by a mafia that is masquerading as a country."*

## BIS/RPTAC - Law and Order

In the March 13<sup>th</sup> BIS Regulations and Procedures Technical Advisory Committee meeting, Matt Axelrod, Assistant Secretary for Export Enforcement outlined his team's agenda, emphasizing that greater consequences encourage greater compliance.

The customary Neither-Admit-Nor-Deny resolution will be discouraged where an Admit-with-Statement-of-Facts can be reached. Reflecting on the modest fines collected in some BIS actions, Axelrod says the Enforcement Team is looking to ensure that "penalty amounts are calibrated to the national security harm."

Axelrod also discussed reforming the voluntary self-disclosure process, noting that of the 400 received last year, only three prompted an administrative resolution, with no criminal investigations. A structure for prompt letters of response will conserve resources for more aggressive action where justified, he said.

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Axelrod also indicated that a joint office, coordinating BIS and Justice activities is in the works. Axelrod and Thea Rozman Kendler, Assistant Secretary of Commerce of Export Administration, are former federal prosecutors; this agenda reflects their emphasis on the criminal nature of export violations.

## **BIS/RPTAC – Rulemaking**

Aligning US efforts with more than 30 countries imposing over 7,000 sanctions on persons and entities associated with the Putin regime has been what Axelrod calls “a substantial undertaking.”

This expedited rulemaking produced five new rules in two weeks. Hillary Hess, Director, Regulatory Policy, Bureau of Industry and Security discussed challenges of this process. With the great majority of sanctions directed at individuals, not states or entities, some commercial screening services are struggling to keep up. Hess noted that since rules are “effective upon public display,” some compliance systems keyed to publication date in the Federal Register may prove insufficiently robust.

## **REPO - More Enforcement**

On March 16, 2022 Treasury Secretary Janet Yellen and Attorney General Merrick Garland joined representatives from Australia, Canada, Germany, France, Italy, Japan, the United Kingdom, and the European Commission, to launch the *Russian Elites, Proxies, and Oligarchs (REPO)* multilateral task force to share information to take concrete actions, including sanctions, asset freezing, and civil and criminal asset seizure, and criminal prosecution.

“Our sanctions, trade restrictions, and other measures have already imposed significant costs on Russia, its leadership, and those who enabled Putin’s unprovoked invasion into Ukraine,” said Secretary Yellen. “This multilateral task force will raise those costs even more, by galvanizing coordinated efforts to freeze and seize assets of these individuals in jurisdictions around the world and deny safe haven for their ill-gotten gains.”

The Department of Justice’s *Task Force KleptoCapture* will support this international effort, said AG Garland. KleptoCapture coordinates US efforts to identify sanctions evasion and related criminal conduct.

Treasury also launched the *Kleptocracy Asset Recovery Rewards Program*, offering payments for information leading to seizure, restraint, or forfeiture of assets linked to foreign government corruption. The Department of the Treasury’s Office of Terrorism and Financial Intelligence administers the program in coordination with the Departments of Justice, State and U.S. federal law enforcement agencies.

## Not Just Russians

March 17<sup>th</sup> Treasury's Office of Foreign Assets Control (OFAC), sanctioned Belgian national Alain Goetz, the African Gold Refinery (AGR) in Uganda, and a network of companies involved in the illicit movement of gold from the Democratic Republic of the Congo (DRC).

A 2018 report from The Sentry identified 283 publicly-traded companies in the U.S. listing Goetz's Belgian refinery as an entity that may be in their supply chains, despite the fact that the refinery failed a major international conflict minerals audit in 2017.

Those same SEC filings indicate that AGR may be in the supply chains of 103 publicly traded U.S. companies, including GE and Halliburton. Last month The Intercept reported the Goetz family will soon control half the gold refining output of Brazil through their North Star Refinery, an entity not included in last week's Treasury action.

## Cybersecurity Items in the Automated Export System

March 15<sup>th</sup> the Census Bureau Trade Data Collection branch reviewed recent AES changes related to filing Electronic Export Information (EEI).

The Bureau of Industry and Security (BIS) interim final rule that took effect March 7<sup>th</sup> ([FR-2022-01-12](#)) "establishes a new control on cybersecurity items and a new License Exception 'Authorized Cybersecurity Exports' (ACE) that authorizes exports of these items to most destinations except in the circumstances described in the rule."

AES filers should be aware of the following changes in order to successfully report EEI: Addition of two Export Control Classification Numbers (ECCNs): 4A005 and 4D004, and creation of a new AES license code C64 — Authorized Cybersecurity Exports (ACE), that authorizes exports, reexports and transfers (in-country) of cybersecurity items and certain IP network surveillance products, not also controlled in Category 5 — Part 2 of the Commerce Control List (CCL) or for Surreptitious Listening (SL) reasons.

License Exception ACE allows the export, reexport and transfer (in-country) of "cybersecurity items" to most destinations, except those listed in Country Groups E:1 and E:2 of supplement No. 1 to part 740 of the Export Administration Regulations (EAR).

## Carbon Border Adjustment Mechanism - EU Moves forward

The Council of Europe agreed March 15<sup>th</sup> on a general approach to the Carbon Border Adjustment Mechanism (CBAM) regulation, targeting imports of carbon-intensive products. Initial sectors include cement, aluminum, fertilizers, electric energy production, iron and steel. CBAM is a carbon-pricing system for imports into the European Union, adjusting the price of imported products to the amount of CO2 emissions incorporated in them, to equalize the cost of carbon between EU products and imports.

CBAM will function in parallel with the EU's Emissions Trading System (EU ETS), to gradually replace existing EU mechanisms to address the risk of carbon leakage, specifically the free allocation of EU ETS allowances. Under the new regime importers will report emissions embedded in their goods without paying a financial adjustment in a transitional phase starting in 2023 continuing through 2025.

Goods from all non-EU countries will be covered by the CBAM. Though countries participating in the ETS or with an emission trading system linked to the Union's will be excluded from the mechanism. This is the case for members of the European Economic Area (Iceland, Liechtenstein, Norway) and Switzerland.

Carbon Border Adjustment Mechanisms are already in place in some regions around the world, such as California, where an adjustment is applied to certain imports of electricity. Several countries such as Canada and Japan are planning similar initiatives.

Executive Vice-President Frans Timmermans, who leads the European Commission's work on the European Green Deal and its first European Climate Law added: *"Let me say again that the CBAM is an environmental policy tool, not a tariff tool. It is in line and compliant with international trading rules. It will apply to products, not countries, based on their actual carbon content, independently of their country of origin."*

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

**National Foreign Trade Council appoints Ambassador Susan Schwab as Board Chair.**

Schwab served as United States Trade Representative (USTR) from 2006 until 2009 and currently serves as strategic advisor to Mayer Brown LLP and professor emerita at the School of Public Policy of the University of Maryland. She has also served as Assistant Secretary of Commerce and Director General of the U.S. & Foreign Commercial Service, staff economist and legislative director for Senator John C. Danforth (R-MO), technology negotiator at the U.S. Embassy in Tokyo and an agricultural negotiator at USTR.

**United States-Brazil CEO Forum – call for applicants.** Leaders of 12 companies from each country participate in the Forum, seeking to strengthen economic and commercial ties. In the United States, the CEO Forum is chaired by the U.S. Secretary of Commerce and by the Deputy Assistant to the President and Deputy National Security Adviser for International Economic Affairs. In Brazil, the Forum is chaired by the Presidential Chief of Staff (Casa Civil) and by the Brazilian Minister of Development, Industry, and Foreign Trade. Applications should be received no later than the close of business on April 1, 2022. Info: Christopher Di Trolio, Office of Latin America and the Caribbean, U.S. Department of Commerce, Christopher.DiTrolio@trade.gov or (202) 823-0530

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**Oil Country Tubular Goods** . March 14<sup>th</sup> Commerce preliminarily determines that countervailable subsidies are being provided to producers and exporters of oil country tubular goods (OCTG) from the Russian Federation. In making these findings, Commerce relied in part on facts available and, *because it finds that the Government of Russia did not act to the best of its ability to respond to Commerce's requests for information, it drew an adverse inference where appropriate in selecting from among the facts otherwise available*

**PFTE Resin from India and Russia** ITC determines industry in the United States is materially injured by reason of imports of granular polytetrafluoroethylene (“PTFE”) resin from India and Russia. PFTE resin is commonly known as Polyflon™, a registered trademark of Daikin, and Teflon®, a registered trade name of Chemours.

**2022 University Export Controls Conference** May 3-4, in Philadelphia. The conference will be preceded by a day of workshops on May 2<sup>nd</sup> and followed by the Association of University Export Control Officers (AUECO) Membership Meeting on the 5<sup>th</sup>. [info](#)

**2022 World Trade Organization (WTO) Public Forum** will take place on September 27 – 30 at the WTO’s headquarters in Geneva. The event regularly attracts over 1,500 representatives from civil society, academia, business, the media, government, and inter-governmental organizations. [info](#)

**Customs Operations Advisory Committee (COAC)** will hold its quarterly meeting on Thursday, March 31, 2022, from 1:00 p.m. to 5:00 p.m. EDT. Comments must be submitted in writing no later than March 28, 2022. The meeting will be open to the public via webinar.

**Shipping Coordinating Committee Meeting in Preparation for International Maritime Organization MSC 105** The Department of State will conduct a public meeting of the Shipping Coordinating Committee at 10:00 a.m. on Wednesday, April 13, 2022, by way of teleconference. The purpose is to prepare for the International Maritime Organization's (IMO) Maritime Safety Committee (MSC 105) to be held virtually from Wednesday, April 20, 2022 to Friday April 22, 2022 and Monday, April 25, 2022 to Friday, April 29, 2022. RSVP LCDR Jessica Anderson at [jessica.p.anderson@uscg.mil](mailto:jessica.p.anderson@uscg.mil). Teleconference line: (202) 475-4000 / Participant Code 877 239 87#. Additional information regarding this and other IMO public meetings may be found at: <https://www.dco.uscg.mil/IMO>.

**2022 Firearms and Ammunition Import/Export Conference** - Sponsored by the F.A.I.R. Trade Group and Society for International Affairs. March 30-31. Presenters – ATF Office of Enforcement Programs and Services, Firearms and Explosives Imports Branch, NFA Branch, Firearms and Ammunition Technology Division. State Dept.-DDTC Office of Defense Trade Controls Policy, Office of Defense Trade Controls Licensing and Commerce BIS team to discuss EAR. Register with the [S.I.A](#) 703.946.5683.