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New Controls on Semiconductor and Gas Turbine Tech

Commerce (BIS) issued an interim final rule Friday that establishes new export controls on four technologies supporting the production of advanced semiconductors and gas turbine engines that meet the criteria for emerging and foundational technologies under Section 1758 of the Export Control Reform Act (ECRA).

These four technologies are among the items that the 42 Participating States of the Wassenaar Arrangement agreed to control at the December 2021 Plenary. [Further information on other changes agreed to during the Wassenaar Arrangement's December 2021 Plenary is available [here](#).]

"Technological advancements that allow technologies like semiconductors and engines to operate faster, more efficiently, longer, and in more severe conditions can be game changers in both the commercial and military context," said **Under Secretary of Commerce for Industry and Security Alan Estevez**. "When we recognize the risks as well as the benefits, and act in concert with our international partners, we can ensure that our shared security objectives are met, innovation is supported, and companies across the globe operate on a level playing field."

Assistant Secretary of Commerce for Export Administration Thea D. Rozman Kendler said "We are protecting the four technologies identified in today's rule from nefarious end use by applying controls through a multilateral regime. This rule demonstrates our continued commitment to imposing export controls together with our international partners. Export controls are most effective when multilaterally imposed."

The four technologies covered by today's rule include **two substrates of ultra-wide bandgap semiconductors**: Gallium Oxide (Ga_2O_3), and diamond; **Electronic Computer-Aided Design (ECAD) software** specially designed for the development of integrated circuits with Gate-All-Around Field-Effect Transistor (GAAFET) structure; and **Pressure Gain Combustion (PGC) technology**.

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- Gallium Oxide and diamond are materials that allow semiconductors that use them to work under more severe conditions, such as at higher voltages or higher temperatures.
- ECAD is a category of software tools used for designing, analyzing, optimizing, and validating the performance of integrated circuits or printed circuit boards. GAAFET technology approaches are key to scaling to 3 nanometer and below technology nodes.
- PGC technology has the extensive potential for terrestrial and aerospace applications, including rockets and hypersonic systems. BIS has added controls on development and production technology for combustors that are not described on the U.S. Munitions List.

The text of the rule is available on the Federal Register's website [here](#).

Senate Passes EV Tax Credits Law, Allies Cite WTO Rules

Senate passed the [Inflation Reduction Act \(IRA\)](#), after concluding months of intense negotiations on ways to address persistent inflation. Drafted with the intention to address both inflation and climate change, the bill aims to reduce carbon emissions by [roughly 40 percent by 2030](#). Dubbed as the "largest climate bill ever", the roughly \$700 billion package includes incentives for domestic manufacturing of electric vehicles, in the form of direct tax credits for factories, as well as domestic content requirements.

Given that the **ban on tax credits for vehicles assembled outside of North America** is expected to take effect as soon as the bill is signed into law, its passage is being watched closely by international markets. The [European Union and South Korea have already raised concerns](#), arguing that the bill may be incompatible with WTO regulations and a bilateral free trade deal, in as much as it would be "discriminatory" against foreign producers in relation to US producers. Concerned that the passage of the bill would put them at a competitive disadvantage in the American market, Korean automakers have also sent a letter to the U.S. House of Representatives, requesting that they include EVs and batteries manufactured or assembled in South Korea as eligible for U.S. tax benefits, citing the U.S.-Korea Free Trade Agreement.

Cryptocurrencies for Evading US Sanctions

The [US Department of the Treasury's Office of Foreign Assets Control \(OFAC\) sanctioned](#) virtual currency mixer "Tornado Cash", which has allegedly been used to launder more than \$7 billion worth of virtual currency since its creation in 2019. The money laundered by the cryptocurrency includes \$455 million stolen by the Lazarus Group, a Democratic People's Republic of Korea (DPRK) state-sponsored hacking group that was sanctioned by the US in 2019. OFAC found that the now-sanctioned virtual currency mixer was being used to launder the proceeds of various cybercrimes committed against the US. In what is indicative of the growing regulatory focus on the use of cryptocurrencies, the

Treasury noted in a Press Release that it would continue to respond to “illicit financing risks in the virtual currency ecosystem”.

Meanwhile, *Reuters* [reports](#) an official of the Iranian Ministry of Industry, Mine and Trade declared that cryptocurrencies and smart contracts would be widely used in “foreign trade with target countries”. Tasnim, Iran’s semi-official news agency reported that the country has already made its first official import order using cryptocurrency, earlier this week. Worth \$10 million, the order will allow the country to bypass the dollar-denominated US financial system.

Are Sanctions on Russia Working?

The debate on the utility and efficacy of US-led economic sanctions in isolating and weakening Russia continues.

A [new study by the Yale School of Management](#) has published data that supports the US government’s view that the sanctions imposed on Russia have jeopardized its economy. According to the study, the withdrawal of more than 1,000 international firms in the wake of the Ukraine war has adversely affected up to 40 percent of the country’s GDP. In particular, the sanctions have devastated Russia’s foreign technology- dependent automotive, aviation, and arms industries. At the same time, Russian gross domestic value-added indicators have fallen by 62 percent in the construction sector, 55 percent in agriculture, and 25 percent in manufacturing.

On the other hand, there is concern in some quarters that the sanctions have had a limited effect, causing Russia to trade more with non-Western countries. [International Energy Agency has found](#) that Russian oil production has fallen by less than 3% since the start of the Ukraine war. This can be explained by considering the fact that while Russia’s oil exports to Europe, US, Japan and Korea have fallen by nearly 2.2 million barrels a day, the country has rerouted its flows to countries such as India, China, and Turkey, with China overtaking EU as the biggest importer of Russian crude. [Another news report](#) suggests that while the sanctions have cut Russian access to Western financial institutions, Russian firms continue to circumvent the same by investing in countries such as the United Arab Emirates (UAE) that has chosen to not join the US-led sanctions. Further, [it has been reported](#) that Turkey is being used as a “warehouse and bridge” by European businesses to supply goods to Russia.

Furthermore, report by the [Royal United Services Institute](#), a British defense and security think tank has found that more than 450 foreign-made components have been found in Russian weapons recovered in Ukraine. This suggests that critical technology was acquired by Russia from Western countries years before the invasion. According to the research shared with Reuters, when disassembled, 27 Russian weapons and military systems were found to rely predominantly on Western parts, with almost two-thirds of the components manufactured by US-based companies.

While history would be a better judge of the effectiveness of sanctions, [Russia's National Settlement Depository has filed a lawsuit](#) at the European Court of Justice to overturn EU sanctions. Finally, in related news, a [bipartisan pair of senators has called](#) on the Biden administration to designate Russia as a "state sponsor of terrorism", to further amplify the impact of sanctions.

Customs News

CBP Commissioner Chris Magnus met with Korea Customs Service Commissioner Yoon, Tae-sik for the 17th U.S.-Korea Customs leadership meeting in Washington. Specific areas of attention included the exchange of marine cargo information, and cooperation in the Container Security Initiative (CSI). The Container Security Initiative is a program operated by CBP in cooperation with customs authorities around the world to inspect container cargo shipments scheduled to arrive in the U.S. CSI Busan has been operational since 2003, and the two customs authorities agreed to start work to expansion of the operating framework of CSI Busan. Further agreements in principle were to pursue a data-sharing arrangement for risk management of cargo across both borders, and an agreement to establish a communication channel between CBP and KSC

Forced Labor. Senators Robert Menendez, (D-NJ) and pal Marco Rubio, (R-Fla.), introduced the Sanctioning Supporters of Slave Labor Act (S. 4714) the bill imposes secondary sanctions on those that do business with and provide support for foreign entities that have been sanctioned for human rights abuse of Uyghur Muslims in China.

Senate Committee on Homeland Security and Government Affairs approved 3 S. 4460, CBP to regularly review and update policies and manuals related to inspections at ports of entry and the Non-Intrusive Inspection Expansion Act (S. 4572), calling for CBPs to scan at least 40 percent of passenger vehicles and 90 percent of commercial vehicles entering the U.S. at land ports of entry by the end of fiscal year 2024.

*** Briefs ***

STATE / Directorate of Defense Trade Controls (DDTC)

- [Statutory debarment / U.S. Department of State Debars Ten Persons for Violating or Conspiring to Violate the Arms Export Control Act \(GS\)](#)
- On the second anniversary of the 2020 Belarusian presidential election (9 August 2022), the US State Department [announced](#) the imposition of visa restrictions on 100 Belarusian officials and their affiliates for their alleged involvement in undermining democratic institutions or impeding the transition to democracy in Belarus, pursuant to Presidential Proclamation 8015.

USTR

[Dem Reps Reaction to USTR non-consult](#) "the administration threatens to undermine its goal by seeking to negotiate trade agreements without undertaking robust consultations with Congress and outside

stakeholders and without respecting Congress' constitutional authority to set the terms of foreign commerce. “

[Remarks by Ambassador Katherine Tai](#) at the 2022 United Steelworkers Constitutional Convention- After years of offshoring and outsourcing, two years of the pandemic, and now Russia's illegal, unprovoked invasion of Ukraine, it is clear that we need a new approach to our trade policy...In our trade discussions with the European Union, we are emphasizing the importance of centering labor unions in trade policy. That's why we plan to bring together organized labor, employers, and the U.S. and European governments to develop priorities for transatlantic trade...

The [Office of the U.S. Trade Representative is seeking public comments](#) by Sept. 16 that will help it develop objectives and positions for enhanced engagement and subsequent negotiation under the [U.S.-Kenya Strategic Trade and Investment Partnership](#),

TREASURY / Office of Foreign Assets Control. OFAC has designated virtual currency mixer **Tornado Cash** pursuant to Executive Order (E.O.) [13694](#), as amended. OFAC sanctions compliance obligations apply equally to transactions involving virtual assets and those involving traditional fiat currencies. See OFAC's '[Sanctions Compliance Guidance for the Virtual Currency Industry](#)' and the 'Virtual Assets' section of the [2022 National Money Laundering Risk Assessment](#). OFAC FAQs on virtual currency are [here](#). [Department of Treasury Press Release \(GS\)](#)

FEDERAL TRADE COMMISSION. On August 11, 2022, the FTC released its [much anticipated](#) advance notice of proposed rulemaking (ANPR), titled "Trade Regulation Rule on Commercial Surveillance and Data Security." The ANPR is the first in a series of steps by the FTC that, if completed, could culminate in the adoption of the first nationwide, sweeping privacy regulation. [The Commission is hosting a public forum on commercial surveillance and data security to be held virtually on Thursday, September 8, 2022, from 2 p.m. until 7:30 p.m.](#)

GERMANY [None of the Russians targeted by European Union sanctions have declared their assets](#) to German authorities as required to do under Germany's sanctions law, the German government said, prompting a call for the transparency regime to be tightened. (*Reuters*)

*** Calendar ***

Giles Thompson, director of the UK Office of Financial Sanctions Implementation (OFSI), will be joining **Maya Lester QC** of Brick Court Chambers to discuss recent developments in UK sanctions at **3pm** (UK time) on **Tuesday 6 September 2022**. Hosted by **Michael O'Kane** of Peters & Peters LLP. Register for the webinar [here](#).

Loyal readers,

[The Washington Tariff & Trade Letter](#) and sister publication [The Export Practitioner](#) are being re-imagined for the next four decades, graphically and editorially

This is your journal. Please take a moment to share with us your thoughts.

Sam, Meredith, Marty and I will be grateful. Thank you.

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International Trade Commission (ITC) Blotter

Jul 27

Commission Vote

Sodium Nitrite from Russia

Jul 26

Commission Vote

Polyester Staple Fiber from South Korea and Taiwan

Jul 22

Factfinding Investigation - Institution

US-Korea FTA Rules of Origin

Administrative Review and Preliminary Determination of No Shipments; 2020-2021

Floor-Standing, Metal-Top Ironing Tables and Certain Parts Thereof From the People's Republic of China: Initiation and Preliminary Results of Changed Circumstances Review and Intent To Revoke Order

1-Hydroxyethylidene-1, 1-Diphosphonic Acid From the People's Republic of China: Final Results of the Expedited First Sunset Review of the Antidumping Duty Order

Certain Aluminum Foil From the People's Republic of China: Initiation of Circumvention Inquiries of the Antidumping Duty and Countervailing Duty Orders

Commerce AD/CVD Blotter

Heavy Walled Rectangular Welded Steel Pipes and Tubes From Mexico: Notice of Court Decision Not in Harmony With the Results of Antidumping Administrative Review; Notice of Amended Final Results

Citric Acid and Certain Citrate Salts From Colombia: Preliminary Results of Antidumping Duty Administrative Review; 2020-2021

Certain Steel Nails From the Sultanate of Oman: Preliminary Results of Antidumping Duty Administrative Review and Preliminary Determination of No Shipments; 2020-2021

Certain Magnesia Carbon Bricks From the People's Republic of China: Notice of Covered Merchandise Referral and Initiation of Covered Merchandise Inquiry

Certain Cased Pencils From the People's Republic of China: Preliminary Results of Antidumping Duty

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