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Schlumberger Subsidiaries Settle OFAC Sanctions Charges

Two subsidiaries of oilfield services company Schlumberger agreed Sept. 27 to settle Treasury's Office of Foreign Assets Control (OFAC) charges of violating U.S. sanctions. Cameron International, a Houston-based supplier of goods and services for the oil and gas industries, agreed to pay \$1,423,766 to settle violations of Russia sanctions; at the same time, Schlumberger Rod Lift (SRL), a subsidiary of Schlumberger Lift Solutions LLC (SLS), paid \$160,000 to settle violations of now-repealed Sudan sanctions.

Between July 2015 and November 2016, "U.S.-person senior managers at Cameron approved contracts for its subsidiary, Cameron Romania S.R.L. to supply goods to Gazprom-Neft Shelf, a Russian energy firm subject to the restrictions" under a 2014 Executive Order, OFAC noted. In total, Cameron Romania made 111 shipments of oil production or exploration goods to Gazprom-Neft Shelf for use at its Arctic offshore platform, the agency said.

Between December 2015 to April 2016, three U.S. employees of SRL "facilitated the sale and shipment of oilfield equipment from a Canadian subsidiary of Schlumberger to a Chinese joint venture, in which Schlumberger held a 50% interest, for onward delivery to Sudan," it added. Neither company voluntarily disclosed the violations.

Another subsidiary, Schlumberger Oilfield Holdings, Ltd. (SOHL), previously received a Finding of Violation from OFAC in August 2015 for alleged violations of Iran and Sudan sanctions (see **WTTL**, Aug. 17, 2015, page 7). SOHL faced no additional penalties because it agreed in March to pay more than \$232 million in penalties under a plea agreement with Justice for illegal trade with Iran and Sudan in 2004 and 2010.

Vietnam Agrees to Address Illegal Timber Imports

In the first Section 301 investigation to address environmental concerns, the U.S. and Vietnam Oct. 1 announced an agreement to settle U.S. concerns about Vietnamese timber

imports. The U.S. Trade Representative's (USTR) office launched an investigation in October 2020 into the country's "acts, policies, and practices related to the import and use of timber that is illegally harvested or traded" (see **WTTL**, Oct. 12, 2020, page 2).

"The Agreement contains multiple commitments by Vietnam on issues related to illegal timber, including commitments to improve its Timber Legality Assurance System; keep confiscated timber (i.e., timber seized for violating domestic or international law) out of the commercial supply chain; verify the legality of domestically harvested timber regardless of export destination; and work with high-risk source countries to improve customs enforcement at the border and law enforcement collaboration," the USTR's office noted.

Vietnamese imports "may be inconsistent with Vietnam's domestic laws, the laws of exporting countries, or international rules. The import of illegal timber may indicate that Vietnam is not enforcing its own laws concerning the import and processing of timber, such as laws requiring that wood processors ensure the lawful origins of the timber they use," the 2020 notice said.

"Illegal timber in the supply chain damages the global environment and the natural resources on which we all depend, and is unfair to U.S. workers and businesses who avoid such timber," USTR Katherine Tai said in a statement. "USTR looks forward to working with Vietnam to deepen collaboration and information exchange, including through a newly created Timber Working Group," she added.

Industry groups welcomed the agreement. "We are pleased to see that U.S. apparel, footwear, and accessories imports from Vietnam will not be subjected to additional tariffs. At a time when we are focusing on getting more vaccines to this key trade partner and unlock snarled supply chains, removal of this tariff threat is welcome indeed," American Apparel & Footwear Association (AAFA) President and CEO Steve Lamar said in a statement.

TTC Commitments Cover Waterfront, Export Controls, Semiconductors

The U.S.-European Union (EU) Trade and Technology Council (TTC) ended its inaugural collaboration in Pittsburgh Sept. 29 with the participants looking to the future. As far as outcomes, the participants specifically addressed investment screening regimes, export controls, artificial intelligence (AI), global semiconductor supply chains, global trade challenges, and barriers of trade.

"We recognize that our investment screening regimes should be accompanied by the appropriate enforcement mechanisms. Furthermore, investment screening regimes should be guided by the principles of nondiscrimination, transparency, predictability, proportionality, and accountability, as set forth in relevant OECD [Organization for Economic Cooperation and Development] guidelines," the two partners said in a joint statement.

On export controls: “We affirm that a multilateral approach to export controls is most effective for protecting international security and supporting a global level-playing field. We note that the potential applications of emerging technologies in the defense and security field raise important concerns, and recognize the need to address these risks,” they said.

“We have determined shared principles and areas for export control cooperation, including in export control capacity-building assistance to third countries, and recognize the importance, where appropriate and feasible, of prior consultations to ensure that the application of export controls is transparent and equitable for U.S. and EU exporters.”

In terms of next steps, the Export Control Working Group will conduct a joint U.S.-EU virtual outreach event for stakeholders Oct. 27. “This event is expected to begin the process of soliciting input from stakeholders on steps to achieve the principles and specific topics for the working group to address in the cooperation areas, and to identify an initial set of specific topics to address in its technical consultations following the TTC,” the joint statement said.

On AI: The U.S. and EU “acknowledge that AI technologies yield powerful advances but also can threaten our shared values and fundamental freedoms if they are not developed and deployed responsibly or if they are misused.”

On global supply chains: The partners reaffirmed their commitment to rebalancing the global supply chains in semiconductors to enhance the security of supply. “This partnership should be balanced and of equal interest for both sides. We underline the importance of working together to identify gaps in the semiconductor value chain, and strengthening our domestic semiconductor ecosystems,” they said.

On global trade challenges: “We intend to work closely together to address non-market, trade-distortive policies and practices, improve the effectiveness of our respective domestic measures that address those policies and practices, and explore ways to combat the negative effects of such policies and practices in third countries.”

On trade barriers: “We also intend to work together to maintain competitive, free, and fair transatlantic commerce in new and emerging technologies, by avoiding new and unnecessary barriers to trade in these technologies, while always respecting the United States’ and the European Union’s regulatory autonomy and promoting openness and transparency. In these and other efforts, we intend to maintain a particular focus on using and coordinating the use of our trade policy tools.”

Industry groups welcomed the commitments and acknowledged the challenges ahead. “So far, this is all a good start, but much hard work lays ahead if the EU and the United States are to collaborate on key technology and trade issues effectively. In particular, the United States should ensure that the EU does not advance policies that unfairly penalize U.S. tech companies in the name of addressing risks or ensuring competition, nor press the United States to adopt the EU approach to competition policy,” Information Technology and Innovation Foundation (ITIF) President Robert Atkinson said in a statement.

EU, U.S. Set Standard for Tech Rules

At the United Nations (UN) General Assembly in September, Secretary General Antonio Guterres warned that the U.S. and China are heading to a new cold war “more dangerous and more difficult to manage” than the first one. During his speech the next day, President Biden without mentioning China, countered that the U.S. is seeking neither “a cold war nor a world divided into rigid blocs.”

Having equipped Australia’s naval arm with stealthier, quicker and deadlier subs under the new deal called AUKUS, and setting the marching orders for the Quad, Biden pivoted to the newly formed U.S.-EU Trade and Technology Council (TTC), which had its inaugural meeting Sept. 29 in Pittsburgh. Ostensibly, the goal is for the Atlantic partners to settle their differences on the rules of the road that China and other authoritarian nations must honor, if they want to play ball with the democratic rules-based nations.

“Collectively we’re about 42, 43% of world GDP. We have a unique ability to help shape the norms, the standards, the rules that will govern the way technology is used, the technology that affects the lives of virtually all of our citizens. We have an ability to set the pace, to set the standard,” Secretary of State Antony Blinken said at the conclusion of the TTC meeting.

The roadmap was comprehensive, with a 12-page joint statement and ten working groups on such far-ranging topics as export controls, data governance, supply chain security, technology standards, IT security and competitiveness, and global trade challenges (see related story, page 2). With major differences in some areas, this is the first of several more rodeos.

The U.S. delegation included Blinken and colleagues Commerce Secretary Gina Raimondo and USTR Katherine Tai. The EU team consisted of privacy czar Margrethe Vestager and Trade Commissioner Valdis Dombrovskis. In remarks at the TTC’s conclusion, members of the delegations spoke on the areas that were most important to them.

“Tai emphasized that the TTC is an important platform for assuring that the United States and the European Union remain global leaders in technology and innovation, projecting our shared democratic values internationally, and protecting fundamental labor rights,” according to a USTR readout.

Dombrovskis shared Tai’s sentiments. “We are strategic partners, we are allies, so as this Trade and Technology Council opens a new chapter of cooperation between EU and United States in the area of trade, we’ll be concentrating on the questions of export controls, investment screening, also cooperating on global trade challenges.”

Raimondo called for better industry transparency in semiconductors. “We have agreed to... collect data from industry so we can have greater transparency and trust in supply chains, and over time really look to collaborate as we increase supply on each of our shores and also collaborate as it relates to research and development for semiconductors.”

In the privacy arena, Vestager said the focus on artificial intelligence (AI) was most critical. “For me, one of the big takeaways is our discussions on artificial intelligence, that minds are meeting for artificial intelligence to be trustworthy, to be human-centered, and to have a risk-based approach which, of course, will leave so much AI untouched by regulation or invasion from a political side, but focus on the areas where something fundamental is at stake.”

Ex-Im Bank Hearing Reveals Party Divisions

At their Senate Banking Committee confirmation hearing Sept. 30, Judith Pryor, nominee to be Export-Import (Ex-Im) Bank first VP, and Owen Herrnstadt, a nominee for the Ex-Im board, had to defend the bank’s policies. Both nominees explained statutory constraints on lending, the four-year gap in lending prior to reauthorization in 2019, and ongoing outreach efforts to minority, women-owned and small businesses.

Pryor, who previous served on the Ex-Im board for two years, explained that Ex-Im fills gaps in private sector financing. “Whether the transaction is too small for a private sector institution to take on, or the company wants to sell to a riskier market, or they have liquidity issues due to financial events like the ongoing global pandemic, Ex-Im can help,” she said in her opening statement.

In response to a question about other countries’ export credit agencies, Pryor said that Ex-Im is “more constrained” in its lending policies. She added that she would like to take a look at” whether the constraints are appropriate, and perhaps “modernizing its policies.”

Sen. Pat Toomey (R-Pa.) decried the bank’s history of lending to large corporations that could have access to private capital. “Propping up exports for this program will only lead to further government subsidies. A U.S. export economy dependent upon federal credit subsidies is not a recipe for long-term success. Rather, it will lead to crony capitalism and an ossification of our economy,” he said in his opening statement.

Other lawmakers argued that because other countries subsidize their industries, the U.S. needs to keep up to remain competitive. “The pandemic slowed all economic activity, but China continued its massive deployment of export financing to assist their state-backed companies. In 2020, Ex-Im’s medium- and long-term export credit financing was a tenth of the amount offered by the Chinese government to their exporters,” Sen. Sherrod Brown (D-Ohio) told the committee.

Lawmakers will get another bite at the Ex-Im apple, as President Biden Sept. 20 sent the Senate the nomination of Reta Jo Lewis to be the first Black woman Ex-Im Bank president (see **WTTL**, Sept. 27, page 8). Lewis is currently senior fellow and director of congressional affairs at German Marshall Fund of United States (GMF).

International Space Security Will Rely on Private Sector

The private sector will serve a central role in building out international space security during rapid development of outer space, speakers suggested during a United Nations (UN) Institute for Disarmament Research (UNIDIR) conference in Geneva Sept. 28-29 in the run-up to high-level meetings between the U.S. and Russia.

The next day, Deputy Secretary of State Wendy Sherman led a U.S. delegation in an “intensive and substantive” meeting with Russian counterparts, according to a joint statement. Officials in the bilateral talks Sept. 30 agreed to form two interagency expert groups; one will pursue principles and objectives for future arms control, and the other will assess capabilities and actions with strategic effects.

Speakers at the UNIDIR conference described three main impulses to extend and build up international space security: some elements remain strictly to the realm of governments; the private sector has a role to play, hand-in-hand with state actors; and industry groups invest and develop technology and provide feedback.

According to UNIDIR Director Robin Geiss, preventing an arms race in space remains a shared goal of the international community. Little progress has been made on PAROS, the proposed prevention of an arms race in space treaty, he said. Russian and Chinese officials and academics at the UNIDIR conference continued to press for formal instruments and verification. Perceptions about militarization of outer space were rising, most speakers said.

Much of the discussion at the UNIDIR conference centered on mechanisms to build trust in space activities, shared rules-of-the-road, transparency of action, and predictability. However, speakers steered away from deep dives to categorize types of technologies that could be considered dual-use.

All space technologies are dual use: launch vehicle, earth observation, and rendezvous capability, said Nobu Okada, CEO of Astroscale Holdings, which bills itself as the only company solely dedicated to on-orbit servicing across all orbits, according to its website.

Transparency in space is a crucial security measure, Okada said. The growth in roadway use did not result in a prohibition on cars after a certain volume of traffic, he said, adding that rising numbers of motor vehicles led to traffic laws, monitoring and road services. Okada described the need for predictable behavior, coordinated space situational awareness, and orbit servicing to ensure smooth-running orbital highways. That can help strike a balance between development and sustainability, he said.

A private operator like Eutelsat supports and relies on peaceful uses of outer space, said David Bertolotti, Eutelsat director of institutional and international affairs. Risks in outer space extend to Earth operations, cyberspace and human error and malicious acts, he said. Various industry and other fora are developing standards and best cyber practices, Bertolotti noted. Outer- and cyber-space are a single continuum in the digital world, he

added. According to a tally of anti-satellite weapons and capabilities that the U.S. submitted to the UN information-gathering process, accidental interference to satellite command and control functionality was the only non-conflict weapon or capability possibly not related to dual-use technology. Other threats were related to direct conflict, such as “kinetic anti-satellite” or “nuclear weapon.” The rest involved dual-use technologies, namely robotic arm anti-satellite, on-orbit servicing, radio-frequency interference, a low-power directed energy weapon, and active debris removal.

Commerce Finalizes Changes to Duty Enforcement

Responding to comments from industry both positive and critical, Commerce Sept. 20 finalized modifications to its regulations on antidumping and countervailing duty (AD/CVD) enforcement that are aimed at making trade remedy proceedings more efficient and addressing circumvention and evasion. The department proposed the changes in August 2020 (see **WTTL**, Aug. 17, 2020, page 3).

One change is the deadline for industry comments on AD/CVD proceedings. “Comments on industry support for a petition may now be filed no later than 5 business days before the scheduled date of the decision on initiation; and rebuttal comments or information to rebut, clarify, or correct such information on industry support may now be filed no later than 2 calendar days from the scheduled date for filing the original comments,” Commerce wrote in new Frequently Asked Questions (FAQs) on its website.

Other specific changes include: revising numerous provisions concerning new shipper reviews; modifying its regulation concerning scope; moving circumvention inquiries into a new regulatory section to distinguish them from scope inquiries; adopting a new section concerning “covered merchandise referrals” from CBP; adding a new regulation pertaining to Commerce requests for certifications from interested parties to establish whether merchandise is subject to an AD or CVD order; and modifying the section regarding importer certifications for the payment or reimbursement of AD/CVD duties.

In addition, “Commerce is modifying its regulations regarding service lists, entries of appearance, and importer filing requirements for access to business proprietary information in AD and CVD proceedings,” the notice said. Certain parts of the rule will be effective Oct. 20, while other parts will be effective Nov. 4.

Trade observers noted the administration has adopted the core elements of the proposed rule with relatively minor modifications. “The final rule reaches far and wide, procedurally and substantively,” attorneys from White & Case noted in a client alert. “Of all the changes to current regulations, the provisions allowing affirmative scope, circumvention, and covered merchandise determinations to affect entries made before [Commerce] initiated such inquiries are likely to have the most dramatic impact,” they added.

*** * * Briefs * * ***

EXPORT ENFORCEMENT: Shunquez Stephens of Flowery Branch, Ga., was sentenced Sept. 30 in Atlanta U.S. District Court to three years' probation for his role in scheme to export at least 30 firearms to Barbados from February through November 2019. Stephens pleaded guilty in June. Items included Glock and Taurus 9mm pistols, and Glock .40 caliber, .45 caliber pistol and .357 caliber pistols. Co-defendant Rashad Sargeant of College Park, Ga., pleaded guilty ten days earlier (see **WTTL**, Sept. 13, page 6). Sargeant's sentencing is set for Dec. 8. Co-defendant David Johnson of Belleville, Ill., pleaded guilty in same court in July; sentencing is set for Nov. 4.

MORE EXPORT ENFORCEMENT: Oleg Vladislavovich Nikitin was sentenced Sept. 22 in Savannah, Ga., U.S. District Court to 28 months in prison for conspiracy in scheme to procure Vectra 40G power turbine from U.S. manufacturer and ship Vectra to blocked Russian company that intended to use turbine on Arctic deepwater drilling platform. Nikitin and his Russian company KS Engineering (KSE) pleaded guilty in March. Co-defendant GVA International Oil and Gas Services (GVA) pleaded guilty in May. KSE and GVA were ordered five years' probation. Dali Bagrou and Bagrou's U.S.-based company World Mining and Oil Supply (WMO) pleaded guilty in July and await sentencing (see **WTTL**, Aug. 9, page 5). Italian national and GVA owner Gabriele Villone was sentenced in June 2020 to 28 months in prison on related charges. Other charged parties were KSE employee Anton Cheremukhin and GVA employee Bruno Caparini.

EVEN MORE EXPORT ENFORCEMENT: Vorago Technologies of Austin, Texas, agreed Sept. 28 to pay BIS \$497,000 civil penalty to settle charges of conspiring to send radiation-hardened 16Mb SRAM silicon wafers to Russia via Bulgarian front company without required BIS export license. Of penalty, \$247,000 will be suspended for two years and then waived if company commits no further violations. Wafers are classified under ECCN 9A515.e.1 (spacecraft and related components) on Commerce Control List. Indictment against Russian national Ilias Sabirov and two Bulgarian citizens -- Dimitar and Milan Dimitrov -- was unsealed in December 2020 in Austin U.S. District Court on related export and money laundering charges (see **WTTL**, Dec. 21, 2020, page 6). At same time, BIS added all three individuals and three related companies to Entity List.

CANDLES: In 4-0 "sunset" vote Sept. 29, ITC said revoking antidumping order on petroleum wax candles from China would renew injury to U.S. industry. Vice Chair Randolph Stayin did not participate in review.

FREIGHT COUPLERS: Coalition of Freight Coupler Producers filed countervailing and antidumping duty (AD) petitions Sept. 29 with ITA and ITC against imports freight rail coupler systems and components thereof from China.

ANTIBOYCOTT: Medtronic Mediterranean SA (Lebanon), foreign affiliate of U.S.-based Medtronic, agreed Sept. 28 to pay \$13,750 civil penalty to settle 11 BIS charges of violating antiboycott regulations. Company allegedly failed to report receipt of request to engage in restrictive trade practice or foreign boycott during transactions with Iraq from December 2012 through June 2014. Medtronic Mediterranean neither admitted nor denied allegations.

SANCTIONS: Virgil Griffith, U.S. citizen living in Singapore, pleaded guilty Sept. 27 in Manhattan U.S. District Court to charges of traveling to North Korea in April 2019 to deliver presentation and technical advice on using cryptocurrency and blockchain technology to evade U.S. sanctions. He was charged in November 2019 (see **WTTL**, Dec. 9, 2019, page 8). State had denied Griffith permission to travel, and he knew that doing so violated U.S. sanctions, Justice noted. Griffith was arrested at Los Angeles International Airport day before he was charged.

NOMINATIONS: Senate Sept. 29 confirmed Jessica Lewis to be assistant secretary of State for political-military affairs in 70-27 vote. Lewis was on list of 30 nominees blocked by Senate Republicans in August. Sen. Ted Cruz (R-Texas) two weeks earlier doubled down on hold on State and Treasury nominees over Biden administration's Nord Stream sanctions waiver (see **WTTL**, Sept. 20, page 6).

CYPRUS: In Federal Register Sept. 30, State's Directorate of Defense Trade Controls (DDTC) extended waiver of policy of denial on export, reexport, retransfer and temporary import of non-lethal defense articles and defense services destined for or originating in Cyprus for one year. Policy runs through Sept. 30, 2022. Agency announced waiver in September 2020 (see **WTTL**, Sept. 7, 2020, page 5).

FORCED LABOR: Labor's Bureau of International Labor Affairs (ILAB) Sept. 29 launched Better Trade Tool, which integrates existing list of goods produced by child labor or forced labor with international trade data. "The data includes harmonized schedule tariff codes and enables enhanced trade data analysis, supply chain mapping, and identification of risks and priorities in strategic planning to combat child and forced labor," ILAB said.
<https://www.dol.gov/agencies/ilab/better-trade-tool>

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