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G7 Meeting Accompanied by Flood of Sanctions Actions

The United States, backed by the G7 and other international allies, is ramping up worldwide sanctions and restrictive economic measures to further hinder Russia's warfighting capabilities. The Commerce, Treasury and State Departments issued separate and joint actions and rules reaching from icebreakers to rubber, with a primary focus on Russia's extractive and weaponry industries.

Commerce (BIS) Actions

Commerce's Bureau of Industry and Security (BIS) released two rules and added 71 entities to the Entity List, primarily for supporting Russia's military and defense sectors. BIS also released its second joint alert with Treasury's Financial Crimes Enforcement Network (FinCEN) urging continued vigilance by U.S. financial institutions against potential Russian export control evasion.

BIS' First Rule makes Four Major Changes:

- **The rule adds the remaining HTS-6 Codes under three entire harmonized tariff system chapters (Chapters 84, 85, and 90; now over 2,000 total entries) to the industrial and commercial controls listed in Supplement No. 4 to Part 746 of the EAR so that every HTS-6 Code under these three chapters is now controlled.** The items added in today's rule include a variety of electronics, instruments, and advanced fibers for the reinforcement of composite materials, including carbon fibers.
- **Adds certain additional chemicals to Supplement No. 6 to part 746 of the EAR**, which consists of discrete chemicals, biologics, fentanyl and its precursors, and related equipment designated EAR99
- **Expands the list of foreign-produced items in Supplement No. 7 to part 746 of the EAR** that require a license when destined to Russia, Belarus, and Iran. This addition builds on the rule issued on February 24, 2023, that created Supplement No. 7 which identifies a number of priority items of concern and that is being used to advance counter-evasion efforts.
- **Expands the destination scope of the Russia/Belarus Foreign-Direct Product (FDP) Rule**, as well as other conforming changes. The rule applies the Russia/Belarus FDP Rule to the temporarily occupied Crimea region of Ukraine,

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www.wttonline.com

Editor: Frank Ruffing +1.703.283.5220. fruffing@traderegs.com

The Second BIS Rule adds sixty-nine entities in Russia and one entity each in Armenia and Kyrgyzstan to the Entity List. The Russian entities are added to the Entity List for providing support to Russia's military and defense sector and are receiving "footnote 3" designations and will be subjected to the restrictions imposed under the Russia/Belarus-Military End User FDP Rule, which represent some of the most severe restrictions available under the EAR.

The Armenian entity and the Kyrgyz entity are added to the Entity List for preventing the successful accomplishment of end-use checks and posing a risk of diversion of items subject to the EAR to Russia.

Rule Text (with Full List of Entities) Available [here](#).

State Department Actions

State is imposing sanctions on individuals and entities complicit in: sanctions evasion and circumvention; maintaining Russia's capacity to wage its war of aggression; and supporting Russia's future energy revenue sources.

Along with these actions, the Department is also designating several individuals and entities to further promote accountability of those supporting Russia's war, including

- Russia-installed puppet occupation authorities,
- those involved in theft of Ukrainian grain, and in
- the systematic and unlawful transfer and/or deportation of Ukraine's children.

Sanctioned entities include

- **Energy** Dredging Vessels owned by Rosatom, (as well as Russia's Icebreaker Fleet), Oil Services, Coal Extraction and professional services providers associated with the **Port of Indiga, project** a flagship port facility under development in Russia, which is designed to expand the export capacity of Russian energy and metals from the Russia's arctic region.
- **Military-related procurement and sanctions evasion** entities related to Drone construction, computer and electronic parts.
- **Marine entities**, including four shipping lines.
- Polyus and related entities, **Russia's largest gold producer**.
- Various **Armements and munitions manufacturers**.
- **Aircraft** supporting the Wagner Group, (seventy-seven Tupolev and Ilushyn Models)
- **Wholesale Electronics** distributors and **Synthetic Rubber** manufacturers.
- **Individuals** implicated in various crimes, including the unlawful abduction of Ukrainian children, the theft of Ukrainian Grain, and numerous functionaries and enablers.

Norilsk Nickel continues to get a pass from sanctions, although the firm's Chief Financial Officer was named in the sanctions actions. Norilsk Nickel is responsible for about 5% of the world's annual production of nickel and about 40% of its palladium.

FinCEN & BIS Joint Alert

Treasury's Financial Crimes Enforcement Network (FinCEN) and Commerce's Bureau of Industry and Security (BIS) [issued a joint supplemental alert](#) urging continued vigilance for potential Russian export control evasion. This supplemental alert builds on FinCEN and BIS's [first joint alert](#), issued in June 2022, and provides financial institutions additional information with respect to new BIS export control restrictions relating to Russia. The alert also reinforces ongoing U.S. government engagements and initiatives designed to further constrain and prevent Russia from accessing needed technology and goods to supply and replenish its military and defense industrial base. It details evasion typologies and identifies additional transactional and behavioral red flags to assist financial institutions.

OFAC Sanctions

Treasury's Office of Foreign Assets Control (OFAC) has imposed sanctions on 22 individuals and 104 entities across more than 20 countries, aiming at those seeking to circumvent sanctions and other economic measures against Russia.

Importantly, **Treasury is broadening its sanctions remit** to cover new sectors of the Russian economy and cut their access to new categories of services. Treasury identifies the **architecture, engineering, construction, manufacturing, and transportation sectors** of the Russian Federation economy pursuant to section 1(a)(i) of Executive Order (E.O.) 14024.

This action complements existing sanctions authorities against those that operate or have operated in the metals and mining, quantum computing, accounting, trust and corporate formation, management consulting, aerospace, marine, electronics, financial services, technology, and defense and related materiel sectors of the Russian Federation economy.

OFAC is also amending [Directive 4 under E.O. 14024](#), "Prohibitions Related to Transactions Involving the Central Bank of the Russian Federation, the national Wealth Fund of the Russian Federation, and the Ministry of Finance of the Russian Federation," **to require U.S. persons to report to OFAC any property in their possession or control** in which the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation has an interest.

Swiss-Italian businessman Walter Moretti and members of his network have covertly procured sensitive technologies and equipment for Russia's intelligence services and military. Today, OFAC designated five additional members of Moretti's network, a Liechtenstein Trust, as well as Baltic Russian and Dutch procurement networks.

Russia's Energy Educational Institutions and Research Institutes were named in the new sanctions, as well as numerous drilling and oil services companies.

Links to all OFAC Actions follow:

The Department of the Treasury's Office of Foreign Assets Control (OFAC) is issuing Russia-related [General License 13E](#), "Authorizing Certain Administrative Transactions Prohibited by Directive 4 under Executive Order 14024;" [General License 66](#), "Authorizing the Wind Down of Transactions Involving Public Joint Stock Company Polyus;" [General License 67](#), "Authorizing Certain Transactions Related to Debt or Equity of, or Derivative Contracts Involving, Public Joint Stock Company Polyus;" and [General License 68](#), "Authorizing the Wind Down of Transactions Involving Certain Universities and Institutes."

OFAC is also issuing Russia-related [Directive 4 under Executive Order \(E.O.\) 14024, as amended](#), and updating Frequently Asked Questions (FAQs) [998-1002](#), [1004-1005](#), and [1118](#) to reflect the amendment. Russia-related Directive 4, as amended imposes an additional reporting requirement on U.S. persons to identify assets of entities subject to Russia-related Directive 4, as amended, which U.S. persons may hold. U.S. persons must submit a report to OFACreport@treasury.gov on or before June 18, 2023, and annually thereafter, on property in their possession or control with an interest, direct or indirect of an entity subject to Russia-related Directive 4, as amended (see [FAQ 998](#)). Note that existing licenses or authorizations issued by OFAC pursuant to the prior version of Russia-related Directive 4 remain in effect.

Furthermore, OFAC is publishing a [Determination Pursuant to Section 1\(a\)\(i\) of E.O. 14024](#) and a [Determination Pursuant to Section 1\(a\)\(ii\) of E.O. 14071](#). OFAC is publishing three associated FAQs and removing FAQs 964, 1037, and 1085, which were incorporated into new FAQs [1126-1128](#). These changes consolidate OFAC's general guidance pertaining to Russia-related sector and service determinations. OFAC is also amending [FAQs 1059](#) and [1061-1062](#).

In addition, OFAC is issuing one new FAQ related to a designated person ([1129](#)).

The SDN and SSI lists have recently been updated. [Please visit this page to access the latest version of the SDN list](#). Check this page periodically as it may also be updated if a new list-related format or product is offered. [Please visit this page to access the latest version of the SSI list](#).

Could Doha Concerns Be Ignored at MC13?

(Geneva via WTD) **Ngozi Okonjo-Iweala, Director-General of the World Trade Organization (WTO)**, seems to have given little attention to the unresolved significant issues pertinent to developing countries, particularly in the Doha work program, for the upcoming 13th ministerial conference, according to inside sources.

The WTO's 13th ministerial meeting is scheduled to occur in Abu Dhabi in February next year. The international trade system is already experiencing turbulence, with several developed nations seeming to implement new obstacles through multibillion-dollar unilateral trade policies, often seen as "me-first". Such practices are well-known to further fragment the global trading system, say several trade envoys.

Efforts are underway to satisfy developed countries by ensuring their preferred outcomes at MC13 while disregarding concerns raised by developing nations, an anonymous trade envoy stated.

Silence on Key Issues. It's not surprising that the Director-General remained largely quiet on matters such as a permanent solution for public stockholding programs for food security, the special safeguard mechanism, and

the G90 proposals during her statement at an informal meeting of Heads of Delegations this week, according to unnamed sources.

Instead, she seems to be aligning with the agenda promoted by the United States, the European Union, and the Cairns Group of agricultural exporting countries, focusing on topics like food security during crises, environmental and sustainability issues, and state intervention and policy space, say individuals familiar with her recent statement.

Her statement was later distributed as a restricted document (Job/TNC/109).

At the meeting, she announced that the Senior Officials Meeting (SOM), initially scheduled for July, has been postponed to October following members' opposition to her initial proposal.

Focus on LDC Graduation. "One central theme I heard was the importance of finalizing the [LDC Graduation issue](#)," Okonjo-Iweala stated. Many members suggested that if no agreement is reached by July, as much progress as possible should be made so that senior officials can make a decision when they meet.

On Fisheries Subsidies. Regarding the next phase of fisheries subsidies negotiations, Okonjo-Iweala noted that the type of political guidance would depend on the progress made before the Senior Officials Meeting. She further stressed the importance of ratifying the Fisheries Subsidies Agreement in time for MC13.

However, achieving ratification by two-thirds of the members by the 13th ministerial meeting will be challenging, given the slow pace of the ratification process. To date, only seven nations - Switzerland, Seychelles, Singapore, the US, Canada, Iceland, and the UAE - have completed the process.

The Need for DSB Reform. Okonjo-Iweala emphasized that the WTO's credibility will largely depend on whether it can deliver dispute settlement reform at MC13. However, she did not elaborate on how DSB reform should proceed, or whether the ongoing DSB reform discussions should ensure that the two-tier Dispute Settlement System remains intact.

Developing Countries' Concerns. On agriculture, Okonjo-Iweala mentioned concerns including food security during crises and sanitary and phytosanitary measures, which are pertinent to the Cairns Group's farm producers.

Some say her focus on food security while neglecting the permanent solution for public stockholding programs for food security and the special safeguard mechanism indicates a shift in the narrative that seems to overlook the significant issues impacting poor and small-scale farmers in developing countries.

Regarding Development Issues. Okonjo-Iweala stated that development was a crucial area to address by MC13, mentioning the G90 proposals for improving special and differential treatment. However, some argue that the narrative on development being pushed by major developed countries and international financial institutions like the World Bank tends to overlook the concerns raised by developing countries.

Additional Concerns. Other issues such as the e-commerce work program and moratorium, pandemic preparedness, and the TRIPS waiver extension were also mentioned by the Director-General. Yet, due to

opposition from a group of industrialized countries, it seems unlikely that there will be any resolution on the TRIPS waiver extension at MC13.

New Issues and WTO Reforms. Okonjo-Iweala raised new topics like environment, climate change and sustainability issues; state intervention and policy space; level playing field issues; inclusiveness and accessions, as possible deliverables for the MC13.

On WTO reforms, the Director-General suggested that senior officials be updated on procedural reforms and reach agreement on them as appropriate. However, her comments on WTO reforms seem somewhat unclear, as there is no explicit indication of what she considers to be "substantive reforms," say anonymous trade envoys.

Disruptive Tech Strike Force Enforcement Blitz

In a flurry of activity by the recently established **Disruptive Technology Strike Force**, the Justice Department has publicized the indictment of individuals in five distinct cases, originating from five separate U.S. Attorney's offices. This marks the first enforcement actions taken by the Strike Force since its inception.

The Disruptive Technology Strike Force, a cooperative venture of the Departments of Justice and Commerce, was established to thwart attempts by hostile foreign powers to illegally obtain sensitive U.S. technology. The technology is often used by these nations to strengthen their oppressive regimes and enable human rights violations. This initiative has led to the unveiling of charges against multiple individuals across five cases. The accused individuals face allegations including export violations, smuggling, and trade secrets theft.

Two of the cases focus on disrupting networks reportedly set up to assist the Russian military and intelligence services in acquiring sensitive technology in breach of U.S. laws. In New York's Eastern District, a Greek citizen was arrested on May 9th for federal crimes related to his alleged involvement in acquiring a variety of sensitive technologies for the Russian government. He also allegedly acted as a procurement agent for two Russian entities operating under Russia's intelligence services. In Arizona, two Russian citizens were arrested for their part in a procurement scheme designed to provide several Russian commercial airlines with export-controlled parts and components.

Additionally, **two cases involve former software engineers accused of stealing software and hardware source codes from U.S. tech firms to sell to Chinese competitors.** On May 5th, a senior software engineer was apprehended in California's Central District for alleged theft of trade secrets related to metrology software used in intelligent automotive manufacturing equipment. This stolen technology was allegedly sold to numerous Chinese companies. In Northern California, a citizen of the People's Republic of China (PRC), and a former Apple engineer, is accused of stealing thousands of documents related to the source code for Apple's autonomous vehicle technology. The accused has since fled to China and is presumed to be working with a PRC-based autonomous vehicle competitor.

The **final case relates to a Chinese procurement network set up to supply Iran with materials used in the production of weapons of mass destruction (WMDs) and ballistic missiles.** In New York's Southern District, a PRC citizen is accused of being involved in a scheme to use his employer to conduct transactions with a U.S. financial institution for the benefit of an alleged Iranian entity.

"Our commitment to safeguard sensitive American technology from illegal acquisition by our adversaries prompted the creation of the Disruptive Technology Strike Force," said **Matthew S. Axelrod, Assistant Secretary for Export Enforcement at the Department of Commerce**. "The actions taken by the Strike Force today encapsulate our core mission – ensuring the most dangerous hands in the world do not get hold of our country's most sensitive technologies."

Gallagher Committee Commandeers Prime Time

The time has come to "take off the golden blindfolds and open our eyes to the risks in China," the head of the House Select Committee on the Chinese Communist Party declared at an evening hearing May 17.

Committee Chairman Rep. Mike Gallagher (R-Wisc) said that while a total economic decoupling from China is not possible, his panel will come up with policy recommendations for a "strategic derisking."

The Select Committee, which was formed at the beginning of the year, held its third hearing Wednesday night. This week, it will hold its first business meeting to begin looking at policy recommendations before moving on to possible legislative options.

Committee members Thursday headed to London to meet with Parliament members and government officials to look at ways the two allies can work together to fight Chinese economic aggression.

During Wednesday's hearing, committee members seemed particularly interested in legislation that would crack down on Chinese investment in the US agriculture sector, with support from both sides of the political aisle.

China Most Dangerous Threat

Former US Trade Representative Robert Lighthizer, who oversaw the imposition of increased tariffs on almost all Chinese imports into the United States during the Trump Administration, urged lawmakers to go even further by essentially banning all US investment in China.

Mr. Lighthizer called China "the most dangerous threat we have as a nation." Beijing is an "openly hostile adversary that has been waging an economic war against the United States for decades," he warned.

At the same time, he agreed that cutting off all economic relations with China is not feasible. Instead, he called for a "strategic decoupling" that would include imposing even more tariffs on Chinese goods until bilateral trade is in balance, expanding export controls to keep US technology out of China's hands, strict limits on Chinese investment in the United States and "severely restricted" US investment in China. Congress needs to right the rules to make "strategic decoupling" happen, he said.

Mr. Lighthizer also endorsed calls by some Congressional lawmakers to revoke China's membership in the World Trade Organization. But Congress should go even further by also taking away China's most-favored-nation status, which would mean higher tariffs on Chinese products coming into the US market.

Former Google CEO Eric Schmidt struck a constructive tone, suggesting “ we do it the American way — with the government and the private sector working together as true partners, not by government edict; we do it with our brilliant domestic talent and by attracting immigrants, not by walling off the world; and we do it along with like-minded nations because we are stronger together.”

Mr. Schmidt’s recommendations include

- Increased government investment in basic and applied research,
- An increased commitment to public education including a new National Defense Education Act (NDEA) II, modeled after the post-Sputnik NDEA of the 1950s, that made landmark investments in the U.S. educational system, particularly K-12, and reforms to the visa process to recruit and retain top talent from abroad to close the gap.
- implement a defense strategy empowered by technology and AI.
- We must develop and shape technologies with democratic values. We need a set of governance principles for AI to balance the tradeoffs between innovation and protecting our rights and values.
- United States must not act alone; we must work with our many allies and partners, for they are a true force multiplier

Mr. Schmidt testified in his capacity as Chair of the Special Competitive Studies Project (SCSP), a nonpartisan, nonprofit organization dedicated to strengthening America’s long-term competitiveness as AI and other emerging technologies shape our national security, economy, and society.

Click [HERE](#) for Chairman Gallagher's opening statement

Click [HERE](#) for Robert Lighthizer's written testimony

Click [HERE](#) for Roger Robinson's written testimony

Click [HERE](#) for Eric Schmidt's written testimony

*** Briefs ***

Geographic Indicators Baloney, Lawmakers Say. A bipartisan group of House and Senate lawmaker introduced legislation yesterday to prevent geographical indications from being used as agricultural trade barriers by creating a list of common names. The bill would amend the Agriculture Trade Act of 1978 to include and define a list of common names for agricultural commodities, food products and terms used in marketing and packaging of products. [[10470](#)]

Roman Holiday for Export Credit Chiefs. The leaders of the official Export Credit Agencies (ECAs) from the G7 countries — Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States of America — gathered in Rome on May 16th for a meeting hosted by SACE, the Italian ECA. [[10464](#)]

WTO Officials Meeting Delayed Until Fall. Amid significant opposition, World Trade Organization (WTO) Director-General Ngozi Okonjo-Iweala proposed an October meeting of senior officials instead of her earlier suggestion of July, according to our correspondent. "Following feedback from more than 100 delegations, I suggest we hold the Senior Officials Meeting in October," Okonjo-Iweala said at an informal Heads of Delegations gathering. [[10465](#)]

USDA Black Sea Grain Dashboard Released. The U.S. Department of Agriculture's Foreign Agricultural Service (FAS) released a dashboard that demonstrates the scope of Black Sea grain and oilseed trade. Using pre-war data from FAS's Production, Supply and Distribution database and Centre d'Etudes Prospectives et d'Informations Internationales, the dashboard demonstrates the impacts Black Sea trade disruption can have on food access in various countries. [[10468](#)]

Former Rep. Maloney Tapped for OECD Post. President Biden announced his intent to nominate former Congressman Sean Patrick Maloney, to be the US representative Organization for Economic Cooperation and Development. Mr. Maloney was elected five times to represent New York's 18th congressional district in the House, serving from 2013 to 2023. [[10473](#)]

CBP Notice of Seizure and Intent to Forfeit Changes. The U.S. Customs and Border Protection (CBP) announced Thursday that it is modifying its processes regarding the Notice of Seizure and Intent to Forfeit for administrative forfeitures, with the goal of making the forfeiture process more efficient. [[10472](#)]

OFAC Settles with Iran Sanctions Violators. The Treasury Department Office of Foreign Assets Control yesterday announced a \$3.3 million settlement with Murad LLC and a \$175,000 settlement with a natural US person for violations of US sanctions on Iran. Murad agreed to settle its potential civil liability for one apparent violation of OFAC sanctions on Iran arising from an apparent conspiracy to export goods from the United States to Iran between 2009 and 2018. [[10471](#)]

BIS Charges Aircraft Parts Smugglers. Commerce and the Justice Department announced actions against an enterprise to ship aircraft parts to sanctioned carriers in Russia. **Assistant Secretary for Export Enforcement, Matthew S. Axelrod** today issued a Temporary Denial Order (TDO) against MIC P&I, LLC, a Florida company, Smartavia, a Russian airline, Intermodal Maldives, a freight forwarder, and two Russian nationals living in Florida [[10462](#)]

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