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Alignment between US and EU at TTC Meeting

Secretary of State, Antony Blinken, announced that there has been a notable alignment between US and European Union (EU) officials on an array of economic issues. This announcement came after the fourth meeting of the US-EU Trade and Technology Council (TTC).

Blinken stated that both sides are progressing constructively on key challenges, with a particular emphasis on creating sustainable, resilient and diversified supply chains. The need for such focus has become critical following the COVID-19 pandemic.

Key challenges also include the war in Ukraine by Russia and countering China's non-market economy practices. Joint efforts are also directed towards ensuring the availability of critical minerals that will power economies in the future.

The concluding press conference featured several dignitaries, including US Trade Representative Katherine Tai, Commerce Secretary Gina Raimondo, European Commission Executive Vice-President Margrethe Vestager, and her counterpart, Valdis Dombrovskis.

During the ministerial meeting, the two sides established key outcomes to advance cooperation on emerging technologies, sustainable trade, economic security, secure connectivity, and digital human rights.

Mr. Dombrovskis disclosed that a consensus has been reached on a work program focused on creating a green transatlantic marketplace. He also mentioned discussions on economic security, including export controls and concerns regarding economic coercion from non-market economies and practices.

Key outcomes from the 4th TTC ministerial meeting include collaboration on clean energy development, enforcement against potential sanctions violators, coordination against economic coercion, and development of a joint early warning mechanism for disruptions in semiconductor supply chains.

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In addition, several advancements were achieved, including an AI roadmap, a common vision on 6G wireless communication, and development of a Memorandum of Understanding to scale up support for the rollout of secure and resilient digital connectivity in Costa Rica and the Philippines.

The two sides committed to deepened collaboration with labor, business, and government to eradicate forced labor from global supply chains and assess the green transition's impact on workers.

US EU TTC Joint Statement [[here](#)]

TTC on Export Controls & Investment

In their Joint Statement, the US - EU Trade and Technology Council expressed support for the ongoing sanctions activities, export and investment controls:

Cooperation on Export Controls and Sanction-Related Export Restrictions

The TTC continues to support cooperation by the U.S., EU, and other international partners on the economic measures against Russia and Belarus for the war in Ukraine. The TTC supports implementation of these measures through the consistent exchange of information on the application of controls as well as working to address enforcement and circumvention risks. This work has delivered important results, including identifying key categories of goods critical to Russia's efforts on the battlefield that the European Union, the United States, and their partners used to interrupt diversion efforts to Russia and further tighten enforcement through counter-evasion actions. This cooperation also enabled the United States and the European Union to design dedicated restrictions to prevent exports of technology found in Iran-manufactured drones and to allow information sharing on our trade restrictions. The United States and the European Union are coordinating engagements with third countries to counter evasion of export restrictions on sensitive items and are conducting coordinated capacity building actions to enable third countries' authorities to tackle export control evasion and circumvention more effectively.

The TTC has also supported technical consultation on regulatory development between the United States and the European Union, including on coordinated timing for publishing the new controls on biotechnologies decided in the Australia Group in 2022. The TTC is also working towards the clarification and simplification of re-export procedures for the benefit of exporters and to develop a common understanding of how U.S. and EU rules are applied on both sides of the Atlantic.

The United States and the European Union will further consult each other in advance of the introduction of export controls on sensitive items.

The United States and the European Union will continue discussions where appropriate, on risk assessments underlying controls on emerging technologies with a view to enable transatlantic cooperation for the development of such technologies and address the associated risks for international security and human rights.

Finally, as recently underscored by the G7 Non-proliferation Directors Group, the United States and the European Union recall that export controls remain a key non-proliferation instrument in maintaining international security and stability and recognize the central role of multilateral non-proliferation export control regimes in that regard.

Export controls are crucial for creating a favorable environment for further economic growth through more secure trade and investment, and we will continue cooperating among ourselves and work with other states in strengthening effective and responsible export controls to address the challenges posed by the misuse and illicit diversion of technologies critical for the development of weapons of mass destruction, their means of delivery, and for advanced military technology programs by state and non-state actors, while promoting an environment in which science, technology and legitimate research collaboration can flourish.

Investment Screening

making full use of comprehensive, robust national security-based and for the EU, public-order based investment screening mechanisms on both sides of the Atlantic, while remaining open for investment. The United States and the European Union welcome the recent significant progress towards the adoption and full implementation of investment screening mechanisms in a number of European Union Member States without such systems. The United States and the European Union continue to support the development and implementation of these mechanisms, including through joint outreach to interested stakeholders starting with the Western Balkans.

Outbound Investment Controls

The United States and the European Union recognize that appropriate measures designed to address risks from outbound investment could be important to complement existing tools of targeted controls on exports and inbound investments, which work together to protect our sensitive technologies from being used in ways that threaten international peace and security.

Senate Banking Committee Grills Enforcement Leadership

The strategic objectives that guide the U.S. economic approach towards China are securing U.S. and allied national security interests, promoting respect for human rights, fostering bilateral economic growth through healthy competition, and cooperating on pressing global issues, testified Assistant Secretary for Terrorist Financing and Financial Crimes Elizabeth Rosenberg to a Senate Panel Wednesday.

Discussing the national security challenges posed by China, Rosenberg highlighted China's challenge to global norms and their exploitation of economic vulnerabilities through corruption. She cited the case of Wan Kuok "Broken Tooth" Koi, a Macau triad boss, and his organization, which was previously designated by the Treasury for such corrupt practices.

Paul Rosen, Assistant Secretary for Investment Security, emphasized the role of the Committee on Foreign Investment in the United States (CFIUS) in mitigating potential national security risks associated with foreign investment in the U.S. He outlined enhancements made through the bipartisan Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA) to ensure comprehensive review of relevant transactions.

Assistant Secretary of Commerce for Export Administration, Thea D. Rozman Kendler, clarified the U.S.'s strategic approach towards China. Kendler explained that while U.S. actions aimed to restrict China's access to key sensitive technologies, they did not represent a broader intent to choke off trade. "We are "de-risking and diversifying" with respect to the PRC on a narrow slice of technologies. We are not interested in decoupling. There are many areas in which the United States and the PRC can and should continue to cooperate.

Kendler provided detailed statistics on license applications "In calendar year 2022, license applications for the PRC had an average processing time (APT) of approximately 90 days. This APT is significantly longer than the CY 2022 APT for non-PRC cases of 43 days. It is also longer than the CY 2021 APT for PRC cases of 76 days. As evidenced by this data, BIS with its interagency colleagues is taking the time to ensure that PRC licenses are carefully reviewed

She further discussed specific measures taken to control China's access to advanced artificial intelligence and supercomputing technologies, stating that the moves were not aimed at restraining China's economic growth but were based solely on national security and foreign policy considerations.

In his testimony, Matthew S. Axelrod, Assistant Secretary of Commerce for Export Enforcement, highlighted recent enforcement actions by the Disruptive Technology Strike Force, co-led by Commerce and the Department of Justice.

Senator Bill Haggerty (R-Tenn) voiced his concerns over a recent violation of American sovereignty by a Chinese high-altitude surveillance ship and requested export licensing data from the Commerce Department's Bureau of Industry and Security. "I'm very concerned to see this administration basically back off and kowtow just so they can obtain high level meetings with with you know officials in China this makes no sense we should be speaking from a position of strength not weakness."

Senator Tester (D-Mont) discussed a proposed bill that would prevent China, among other countries, from purchasing farmland in the U.S., while Senator J.D. Vance (R-Ohio) criticized U.S. sanctions policy towards Russia, arguing it had failed to significantly impact the Russian economy.

Rosenberg defended the sanctions, stating that they had effectively severed Russia's connection with the international financial architecture, impacting their banking relationships.

Meanwhile, Senator Warnock of Georgia expressed concerns about the climate of fear enforcement activities had fostered among his constituents of Chinese descent, citing a "chilling atmosphere" among researchers and scientists. He asked Axelrod about steps taken to address potential civil rights issues during the targeting of Chinese government espionage activities. Mr. Axelrod cited his team's Academic Outreach Initiative as an effort to "both safeguard sensitive research but also at the same time maintain that open collaborative environment."

WTO Dispute Resolution Drags On

In a concentrated effort to overhaul dispute resolution proceedings within the World Trade Organization (WTO), **Marco Molina, Deputy Permanent Representative of Guatemala to the WTO**, updated WTO members on the progress made in resolving dispute settlement reform,

This is part of an initiative in response to the June 2022 ministerial mandate, aiming to have a fully functioning dispute settlement system by 2024.

Since his previous report to the Dispute Settlement Body (DSB) on March 31, Molina and the delegates have convened 57 meetings over April and May.

The efforts, Molina said, are starting to bear fruit. Initially, members proposed 70 potential solutions, which were placed in a "red table." Those proposals have been refined, moved to a "yellow table," and narrowed down to more viable alternatives.

Molina also expressed satisfaction with the change in mindset among members, who no longer see the proposed solutions as fixed positions or redlines. Instead, there's a concerted effort to understand the rationale behind each proposal, with a view to reconciling any conflicting perspectives.

On the next steps, Molina said that members are making progress and identifying practical solutions for the forthcoming "green tables," which will be the basis for a drafting exercise after the WTO's summer break.

Several members expressed concerns about the meeting's format and frequency, pointing out the difficulties that smaller, developing nations face in participating effectively. There were calls for increased transparency and inclusivity, with a few members suggesting virtual participation as an option.

Another group of members, including Canada, the United States, and the European Union, among others, welcomed the active participation and transparency of the process.

Despite the ambitious timeline, they underlined the urgency of the task at hand and the necessity of meeting the 2024 deadline for a functioning dispute settlement system.

China emphasized the urgency of the task, highlighting the importance of dispute settlement reform to members and its potential impact on the success of MC13, the 13th Ministerial Conference set for February 2024.

The United States restated its opposition to the proposal to start selecting Appellate Body members. Guatemala, representing 129 members, introduced the proposal for the 66th time, underscoring members' concerns about the current situation in the Appellate Body, which they argue is negatively affecting the WTO's dispute settlement system.

Despite these concerns, a number of delegations reaffirmed the importance of the WTO's two-tiered dispute settlement system and stressed the need to break the deadlock in this area. They highlighted the commitment made by ministers at the WTO's 12th Ministerial Conference to engage in discussions to secure a fully functioning dispute settlement system by 2024 and pledged their support for achieving this outcome within the prescribed deadline.

WTO Africa Group Proposes Reforms

The African Group (AG) has proposed a series of significant reforms to the World Trade Organization (WTO) rules, particularly the Agreement on Subsidies and Countervailing Measures (ASCM). This proposal aims to offer developing nations the "policy space for industrial development" and to rebalance trade rules to promote industrialization and address emerging global challenges such as climate change and digital industrialization. The AG's goal is to recalibrate ASCM disciplines and infuse more certainty and equity into the global trading system.

1. Subsidies as Critical Tools for Development:

The AG acknowledged subsidies as a critical tool for national governments to rectify market failures and achieve various policy goals. The ASCM regulates the types, scope, and permissible limits of subsidies provided by WTO members. The AG argues for reconsidering the flexibilities available to developing countries, allowing them to respond effectively to the current multiple crises.

2. Legitimate Development Goals and Countervailing Measures:

The AG emphasized that subsidies for achieving legitimate development goals, such as regional growth, R&D, and environmentally sound production methods, should not face countervailing measures. However, they have observed that developing countries are often the main targets of these measures from developed economies.

3. The Importance of Industrialization:

The AG underscored the importance of industrialization as a vital factor in the development process. The group also noted the vulnerability of Africa's growth trajectory due to its dependency on agricultural and extractive primary commodities. The lack of export diversification, they argue, leaves these countries vulnerable to global shocks.

4. The Critical Role of WTO:

The AG suggested the need to review WTO trade rules, including the disciplines under the ASCM, to bring them in line with the Paris Agreement on climate change. The group noted that the constraints imposed by the ASCM disciplines can potentially hinder public sector support for research and development, which is critical for developing countries' industrialization and sustainable transformation.

5. Challenges with Current ASCM Rules:

The AG identified certain issues with the existing ASCM rules that can undermine the potential for industrialization in developing countries. These include the prohibitions contained in Article 3 of the ASCM on local content requirements, the expiry of Article 8's carve-outs, and the ambiguity and uncertainty created by the restrictions in the Agreement on Trade-Related Investment Measures (TRIMS) on the domestic content requirement.

6. The Need for More Flexibility:

The AG concludes that more flexibility is needed for developing countries to promote sustainable regional value chains and develop domestic capacities. They call for urgent action at a multilateral level to devise rules that are fit for purpose given the magnitude of the multiple crises confronting the global economy and disparities in the development of countries and regions. The AG views this proposal as a step towards equitable growth, structural transformation, and diversification in developing economies, especially in Africa.

Wyden Calls to Expel Uganda from AGOA

Senate Finance Committee Chairman Ron Wyden (D-Ore) called on President Biden yesterday to revoke Uganda's trade preferences under the African Growth and Opportunity Act in response to the country's new law that would punish LGBTQI+ individuals with jail or even the death penalty.

"The United States must not extend trade benefits to countries that violate human rights by sanctioning violence and discrimination on the basis of sexual orientation or gender identity," he said in a statement. "I call on President Biden to immediately suspend Uganda's AGOA benefits, and work with our allies to remove similar benefits, until Uganda repeals its cruel anti-LGBTQI+ law and improves its record on human rights, corruption and rule of law."

Last month, Sen. Wyden sent a letter to US Trade Representative Katherine Tai and Secretary of State Anthony Blinken to revoke Uganda's trade benefits under AGOA if the law was enacted.

President Biden over the weekend issued a statement condemning the new law and promising a review of Uganda's AGOA eligibility. The President said he also is considering sanctions and restriction of entry into the United States against anyone involved in serious human rights abuses or corruption.

*** Briefs ***

Ukraine 232 Tariff Suspension Extended. Secretary of Commerce Gina Raimondo announced the United States will extend by one year the temporary suspension of tariffs on Ukrainian steel under Section 232 of the Trade Expansion Act of 1962, as amended. Much of Ukraine's steel production is either destroyed, idled, or under Russian control. [\[10530\]](#)

CBP Publishes Notice for AD/CVD Payouts. Customs and Border Patrol announces their intent to distribute to affected domestic producers the assessed antidumping or countervailing duties and interest that are available for distribution in Fiscal Year 2023 in connection with those antidumping duty orders or findings or countervailing duty orders [listed](#) in the announcement. [\[10513\]](#)

DDTC Updates Open General License Pilot Program FAQs and Factsheet

The Directorate of Defense Trade Controls (DDTC) has issued Open General Licenses (OGLs) No. 1 and No. 2 implementing, as a pilot program pursuant to ITAR § 120.22(b), a new mechanism for licensing reexports and retransfers of unclassified defense articles to pre-approved parties within Australia, Canada, and the United Kingdom. DDTC has released new frequently asked questions (FAQs) regarding the Open General License (OGL) Pilot Program. In addition, DDTC has released updated versions of previously published OGL FAQs and related factsheet. [\[10518\]](#)

USMCA Complaint Targets Mexican Firm for First Time. The Administration is once again making use of the rapid response labor mechanism in the US- Mexico-Canada Agreement to deal with alleged worker rights violations at a Mexican factory, this time naming a Mexican-controlled entity. The previous eight complaints were against US – owned plants in Mexico. [\[10525\]](#)

ITC Services Export Report. The United States was the world's largest services market and was the top exporter and importer of services in 2021, according to a new report released by the U.S. International Trade Commission (USITC). Preliminary data for 2022 indicate an increase of 15.9 percent in total services exports compared to the previous year. [\[10523\]](#)

WTO Sees Recovery in Goods Trade. Global goods trade remained depressed in the first quarter of this year, but forward-looking indicators point to a possible turnaround in the second quarter, according to the World Trade Organization's latest WTO Goods Trade Barometer. The value of the barometer index rose to 95.6 in the latest reading – up from 92.2 in March – but remained well below the baseline value of 100, suggesting a below-trend stabilization and the beginnings of an upturn in merchandise trade volumes, the WTO found in its report released yesterday. [\[10529\]](#)

***** Enforcement & Sanctions*****

Viet Procurement Office Faces Debarment for ITAR Violations. The Vietnamese government-owned company VTA Telecom Corporation (VTA) has been administratively debarred for violating the International Traffic in Arms Regulations (ITAR), according to a public notice issued by the Department of State. VTA Telecom Corporation was found to have exported or attempted to export ITAR-controlled defense articles, including hobby rocket motors, video trackers, and a gas turbine engine, without proper authorization. [\[10520\]](#)

Non Proliferation Envoy to Korea Talks. Under Secretary of State for Arms Control and International Security, Bonnie D. Jenkins, is set to travel to the Republic of Korea (ROK) from May 29 to June 2, to continue the United States' commitment to the Proliferation Security Initiative (PSI). Jenkins will lead the U.S. Delegation to the PSI High-Level Political Meeting (HLPM) as the U.S. continues its work to stop the proliferation of weapons of mass destruction (WMD), their delivery systems, and related items. [\[10510\]](#)

Chinese Agents Fail to Bribe IRS Agent. A federal court unsealed charges against two Los Angeles residents Friday for their involvement in an alleged bribery scheme directed by the People's Republic of China (PRC), marking another chapter in the ongoing confrontation between the United States and China over transnational repression tactics. [\[10511\]](#)

California Fashion Brand Ups Russian Investment. American fashion brand Guess has reacquired its 30% stake from its Russian partner Vyacheslav Shikulov, an unusual move for the Russian fashion market. The deal, valued at €8 million (US\$8.5 million), has consolidated 100% of Guess's Russian business after receiving approval from the US Treasury Department. [\[10516\]](#)

More Syria Sanctions. Treasury's Office of Foreign Assets Control (OFAC) has announced sanctions against two Syrian money service businesses, Al-Fadel Exchange and Al-Adham Exchange Company, for their covert aid to the Bashar al-Assad regime and its Hizballah and Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF) allies. These companies have facilitated the regime's access to the international financial system, bypassing international sanctions. [\[10522\]](#)

Sudan Sanctions Pressure Combatants. Treasury's Office of Foreign Assets Control (OFAC) designated four companies generating revenue from, and contributing to, the conflict in Sudan. The entities designated today are affiliated with the two embattled forces that are fueling the ongoing conflict in Sudan: two companies affiliated with the paramilitary Rapid Support Forces (RSF) and two companies affiliated with the Sudanese Armed Forces (SAF). [\[10521\]](#)

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