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EU Rejects US Proposal for Permanent Tariff Suspension

The European Union (EU) has rebuffed the United States' first proposal to permanently eliminate Section 232 tariffs on European aluminum and steel imports, as reported by *The Financial Times*. The rejection occurs as both parties aim to establish a Global Arrangement on Sustainable Steel and Aluminum (GASSA) by October 2023, a plan agreed upon in 2021.

The EU contends the US's proposed solution is likely to breach World Trade Organization rules because it discriminates in favor of domestic producers, instead suggesting its carbon border adjustment mechanism (CBAM) could form the groundwork for a mutually acceptable deal.

However, US trade group The Aluminum Association stresses that the final agreement must not only consider carbon issues but also address non-market behavior within the aluminum market, particularly from China and other countries. It claims that the existing tariff rate quota system and the EU's CBAM regime fall short of effectively managing these concerns, remaining consistent with the original GASSA framework.

E.U. Executive V.P. Valdis Dombrovskis will be in Washington this week, to address this as well as European calls for more favorable treatment of continental EV producers.

OFAC+ Advisory on Gold Trade Risks

Along with sanctions on miners affiliated with the Wagner Group, the U.S. released a multiagency advisory on compliance concerns associated with the Gold Trade.   Jointly issued by six Departments - State, Treasury, Commerce, Homeland Security, Labor, and the United States Agency for International Development (USAID) the advisory had been delayed several days, along with the Wagner Sanctions, to allow the mutiny in Russia to sort itself out.

The gold sector is a vital part of the economies and communities in many sub-Saharan African and Latin American countries. However, it presents risks, including conflict and terror financing, money laundering, sanctions evasion, human rights abuses, labor rights abuses, and environmental degradation.

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These risks are tied to all stages of the gold trade - mining, refining, trading, and selling. While the Jewelry trade represents half of global gold demand, the industry (tech & medical) represents a significant source of gold demand, while artisanal and small scale mining (ASM) of the sort associated with illicit gold is responsible for significant production of Cobalt, Tin, Tungsten and Tantalum, as well as other critical industrial inputs.

While risks have been extensively documented in areas like the eastern Democratic Republic of the Congo (DRC), emerging threats in regions like Sudan, the Central African Republic (CAR), and Mali, have underscored the need for this advisory.

Despite international efforts to help industry participants identify, evaluate, and reduce risks, bad actors continue to exploit vulnerabilities in the gold supply chain across sub-Saharan Africa. Notably, armed groups have utilized the gold trade to finance their activities for decades, and armed entities hostile to U.S. interests are increasingly infiltrating the region's gold trade.

- **The advisory encourages industry participants to brace for increased U.S. government scrutiny** of the relationship between gold and these groups' revenue streams and warns of possible U.S. sanctions aimed at disrupting these groups' operations.
- **All U.S. individuals and entities involved in the gold sector are urged to conduct enhanced due diligence** to address these risks. This includes miners, traders, refiners, exporters, users, consumers, financial institutions, and others. The advisory also encourages public reporting of efforts related to these risks.
- **U.S. entities are encouraged to explore opportunities for responsible investment in the African gold sector**. This can be through large-scale projects, supporting sustainable development of artisanal and small-scale mining, and due diligence innovations that enable commercially viable artisanal gold exports.

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The advisory offers several key recommendations which emphasize the importance of due diligence, risk awareness, and responsible sourcing initiatives. Here are the highlights:

- Individuals and entities active in the gold sector in regions where corruption is prevalent should **be aware of the associated risks**, including potential facilitation of money laundering, sanctions violation, or other financial crimes.
- Entities operating in conflict-affected areas should **conduct meticulous due diligence** concerning local communities to evade commercial and reputational risks linked with contributing to conflict violence.
- Parties should **conduct specific due diligence concerning labor and human rights abuses, as well as environmental concerns** including the use of harmful substances such as mercury and cyanide, and practices that contribute to deforestation.
- Those engaged in downstream purchases of recycled gold must conduct due diligence to **determine whether recyclers may be introducing mined gold from sanctioned, conflict-affected, or other high-risk sources.**
- Entities should **review available anti-money laundering typology reports meticulously**, especially the lists of red flags associated with gold trading and refining, to identify potential risks applicable to their business and avoid involvement with parties engaged in money laundering, sanctions violations, and terrorist financing.

The overarching objective of the advisory is to encourage U.S. industry participants to responsibly invest in sub-Saharan Africa's gold sector while strengthening due diligence practices and transparency to prevent malign actors from exploiting the industry.

The advisory is structured into four parts: Part I discusses the opportunities in the gold industry in sub-Saharan Africa; Part II details the risks associated with the industry; Part III outlines U.S. sanctions in the gold industry context; and Part IV delves into due diligence and best practices, focusing especially on the OECD Due Diligence Guidance adopted in 2011. Additional details on existing sanctions and ongoing development projects are provided in the annexes. [Full Document]

Five Eyes Partners on Export Control Enforcement

In a collaborative endeavor to enhance global security, the United States and its Five Eye partners – Australia, Canada, New Zealand, and the United Kingdom – have committed to formally coordinate on export control enforcement.

This effort builds on existing information sharing and other cooperation among these key partners and will leverage enforcement resources to expand each country's capacity to take action to prevent and deter evasion of export controls, including by restricting Russia's access to technologies that fuel its invasion of Ukraine.

"As is evidenced by today's gathering, the United States and our Five Eyes partners stand united in our commitment to vigorous enforcement of the Russia and Belarus export restrictions," **said Assistant Secretary of Commerce for Export Enforcement Matthew S. Axelrod.** "By formalizing our coordination, we hope to drive additional enforcement outcomes in each of the Five Eyes countries, including detentions, penalties, and public identification of diversionary actors."

Delegations from Australia, Canada, New Zealand, the United Kingdom, and the United States met in Ottawa, Canada this week and jointly committed to facilitating the exchange of information related to export control violations, including trends in illicit procurement methods, which will enable Five Eyes countries to identify and address export evasion risks and enhance their ability to prevent unauthorized transfers and safeguard collective national security interests.

Specifically, this formal partnership on export control enforcement will significantly enhance the effectiveness of each country's export control regimes, minimize gaps in enforcement, and foster joint investigations and coordinated enforcement actions.

The countries also seek to strengthen enforcement partnerships with industry, as a key component to countering diversion efforts. The Commerce Department statement avoided metion of controls on China Trade.

The Five Eyes (FVEY) is an intelligence alliance comprising Australia, Canada, New Zealand, the United Kingdom, and the United States. These countries are parties to the multilateral UKUSA Agreement, a treaty for joint cooperation in signals intelligence.

Politicians from the Five Eyes alliance are meeting this week in the New Zealand capital, Wellington, where migration and security are top of the agenda.

New Zealand Prime Minister Chris Hipkins has been in China this week on an official visit. Tuesday, he met Chinese President Xi Jinping. Both leaders acknowledged the importance of the bilateral relationship. The Export Control announcement may deflect criticism of Wellington's conciliatory tone to China, which buys one-fourth of the country's exports.

Commerce Releases Export Strategy

The Commerce Department released its 2023 National Export Strategy, setting out US trade promotion priorities and a coordinated, whole-of-government framework to better equip US companies and workers to compete in global markets and grow through international trade.

This year's report highlights government programs and resources to assist US small and medium enterprises, historically underrepresented businesses and those new to exporting.

> "The Biden-Harris Administration's generational investments in U.S. industry, innovation, workforce training, and place-based economic development are setting the stage for inclusive economic growth and boosting US competitiveness on the global stage," **Commerce Secretary Gina Raimondo** commented. "We are releasing the 2023 National Export Strategy amidst these historic investments, which outlines how we align the full force of the federal government to help U.S. businesses and workers compete and win in international markets – including small businesses exporting for the first time."

The 2023 NES contains export promotion actions and activities to increase and enhance market opportunities in several sectors, including: climate and clean technologies; manufacturing; travel and tourism; international education; global infrastructure development; agriculture, fish and forestry and seafood industries.

The 2023 NES was developed by the Trade Promotion Coordination Committee, an interagency body established to provide a unifying framework to coordinate the export promotion and export financing activities of the US government. The TPCC Secretariat is housed within the U.S. Department of Commerce's International Trade Administration.
[Full Report]

China Joins WTO Fisheries Subsidies Agreement

China, the world's leading marine fishing producer, officially accepted the WTO Agreement on Fisheries Subsidies on June 27. The Agreement aims to promote marine sustainability by curbing harmful fishing subsidies.

China is responsible for nearly 40 percent of the world's fishing and aquaculture. The WTO Director-General, Ngozi Okonjo-Iweala, received the instrument of acceptance from China's Commerce Minister, Wang Wentao. "China's support is crucial for the Agreement's success," said Okonjo-Iweala.

In addition to sustainability, the Agreement assists developing and least-developed countries with a dedicated fund for technical assistance and capacity-building.

The Fisheries Subsidies Agreement is the WTO's second multilateral agreement since its founding in 1995. Wang affirmed China's commitment to the Agreement, expressing readiness for the second phase of negotiations.

Adopted unanimously at the WTO's 12th Ministerial Conference in June 2022, the Agreement curtails support for illegal, unregulated fishing, restricts aid for overfishing, and ends subsidies for unregulated high-seas fishing.

For the Agreement to come into effect, acceptances from two-thirds of WTO members are needed. Further negotiations on outstanding issues are scheduled, with recommendations to be made at MC13 in February 2024.

*** Policy Briefs ***

WTO Dispute Settlement Body Recap

During the June 30 DSB meeting, Deputy Director-General Angela Ellard announced that Venezuelan Jorge Castro, currently serving as the Chief of the Training Section at the WTO's Institute for Training and Technical Cooperation, will be the new Director of the WTO's Legal Affairs Division.

Mexico Corn Tariffs On

Mexico last Saturday began imposing a 50% tariff on white corn imports, a move the president says looks to boost national production and prevent imports of genetically modified corn.

EU Deforestation Rules Effective Now

The E.U. Regulation on deforestation-free products entered into force June 29., primarily focused on the expansion of agricultural land linked to the production of commodities like soy, beef, palm oil, wood, cocoa, coffee, rubber and some of their derived products, such as leather, chocolate, tyres, or furniture.

USDA Canada Annual Report Released

The USDA Foreign Agricultural Service Ottawa Post has published it's annual FAIRS Report on Canadian Agricutural Policy. The implementation of the USMCA in July 2020 and Canada's trade agreements with other trading blocs like the EU and the CPTPP increased competition in the Canadian market and expanded access to Canada’s supply-managed markets.

May US Goods Deficit Down

The US goods trade deficit fell in May to $91.1 billion in May, down by $6 billion from the $97.1 billion recorded in April, according to an advance report released yesterday by Commerce.

President's Export Council Restarts

Commerce Secretary Gina Raimondo said she is eager to see "actionable strategies" at the first meeting under the Biden Administration of the President's Export Council yesterday.

USMCA Labor Council Meets

North American trade and labor officials discussed policies to prevent violence and discrimination in the workplace and keeping products made with forced labor out of their markets at the second meeting of the US-Mexico-Canada Agreement's Labor Council.

TIGER Task Force to Modernize Foreign Military Sales Process

House Foreign Affairs Committee Chairman Michael McCaul (R-TX) has announced the creation of a new bipartisan task force aimed at overhauling the U.S. foreign military sales process. Named the Foreign Military Sales (FMS) Technical, Industrial, and Governmental Engagement for Readiness (TIGER) Task Force, it is set to be led by Congressman Mike Waltz (R-FL) and co-led by Congressman Seth Moulton (D-MA).

Hill Says Don't Renew US-China Tech Deal

Members of the House Select Committee on China, including Chairman Rep. Mike Gallagher (R-Wisc) and Republican Conference Chair Elise Stefanik (R-NY) are urging the Administration not to renew the US-China agreement on cooperation in science and technology.

Gallagher Committee Postal

House Select Committee on China Chairman Mike Gallagher (R-Wisc) and House Oversight Committee Chairman James Comer (R-Ky) have asked US Postmaster General Louis DeJoy to provide records of Chinese-originating mail and shipments entering the United States through USPS.

Mongolia MOU on Critical Minerals

The United States and Mongolia signed a memorandum of understanding yesterday to jointly advance security and resilient critical mineral supply chains in the Indo-Pacific.

India Eyes Joining IPEF Trade Pillar

India is contemplating whether to join the trade pillar of the Indo-Pacific Economic Forum, but the United States is somewhat reluctant to allow New Delhi's entry into this pillar, our correspondent has learned.

Call to Suspend Kenya Trade Talks

A group of House Democrats is calling on the Administration to suspend trade talks with Kenya until Kenyan President William Ruto commits to vetoing any legislation that further criminalizes the the LGBTQI+ community.

OFAC/OFSI Humanitarian Factsheet Published

Treasury's Office of Foreign Assets Control (OFAC) and His Majesty's Treasury's Office of Financial Sanctions Implementation (OFSI) have jointly published a humanitarian Factsheet on Humanitarian Assistance and Food Security in relation to Russia sanctions. This Factsheet is a testament to the OFAC-OFSI Enhanced Partnership, where the two agencies continue to make ongoing efforts to effectively communicate and implement new sanctions in close coordination with each other.

OFAC Sanctions Wagner Group African Operations

Treasury's Office of Foreign Assets Control (OFAC) has announced the imposition of sanctions on four companies and one individual connected to the notorious Russian military group, PMC Wagner (Wagner Group).

Revised Guidelines on Chemical Weapons Convention: Impact on Schedule 2A Chemicals

Commerce's Bureau of Industry and Security (BIS) is publishing a final rule to amend the Chemical Weapons Convention Regulations (CWCR) to reduce the concentration threshold level above which mixtures containing a Schedule 2A chemical are subject to the declaration requirements.

$300 Million to Fund Manager for IPEF

The US International Development Finance Corporation (DFC) has approved a $300 million financing package for "sustainable infrastructure" projects in nations participating in the Indo-Pacific Economic Framework.