

Washington Tariff & Trade Letter

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Hong Kong Business Advisory

On September 6, the U.S. Departments of State, Agriculture, Commerce, Homeland Security, and Treasury jointly released an updated warning for U.S. businesses about risks to their operations and activities in Hong Kong.

Risk factors that were formerly limited to mainland China are now also a concern in Hong Kong and could affect commerce, trade, and seemingly routine individual commercial activities in Hong Kong.

Many of these risks stem from the 2020 Law of the People's Republic of China on Safeguarding National Security in the Hong Kong SAR (National Security Law, or NSL), as well as the Safeguarding National Security Ordinance (SNS Ordinance), which was enacted in March 2024 under Article 23 of Hong Kong's Basic Law. [READ MORE](#)

Voluntary Self Disclosure Changes Codified

The Commerce Department's Bureau of Industry and Security (BIS) issued a final rule making changes to the Export Administration Regulations (EAR) related to BIS's policies and practices regarding voluntary self-disclosures (VSDs) and to the BIS Penalty Guidelines.

The rule revises the BIS Penalty Guidelines to change how the Office of Export Enforcement (OEE) calculates the base penalty in administrative cases and how OEE applies various factors to the base penalty to determine the final penalty. [READ MORE](#)

White House to Gut De Minimis Exemption

The Biden-Harris Administration has announced a series of new actions aimed at addressing the growing abuse of the de minimis exemption, particularly by e-commerce platforms like Amazon, Shein and Temu.

The administration's efforts come in response to a significant rise in de minimis shipments, which have increased from 140 million annually to over one billion in the last decade, complicating efforts to regulate imports and block illegal goods. [READ MORE](#)

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TRADE POLITICS AND POLICY

USTR Finalizes China Tariff Hikes

The Office of the United States Trade Representative (USTR) announced final modifications concerning the statutory review of the tariff actions in the Section 301 investigation China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation.

The tariff increases announced in May 2024 were largely adopted, with several updates to strengthen the actions to protect American businesses and workers from China's unfair trade practices following the review of more than 1,100 comments from the public. [READ MORE](#)

"China Week" in Washington

House Republicans held their highly-anticipated "China Week" by approving several China-related bills while Democrats began the week pushing for the White House to close the so-called de minimis loophole through administrative action, since Republicans left the legislation off their agenda. The White House delivered that on Friday.

Meanwhile Speaker Mike Johnson failed to schedule any action on the looming government shutdown due to infighting in his caucus. [READ MORE](#)

GAO Report on China's Belt & Road Initiative

The U.S. Government Accountability Office (GAO) report highlights the substantial investments China is making through the world's largest infrastructure finance program, the Belt and Road Initiative (BRI).

Contributors to the report identified challenges to US competitiveness including the "lack of a public national strategy to guide and prioritize" U.S. efforts and the "fragmentation of foreign assistance efforts" across several federal agencies. [READ MORE](#)

Georgia Tech Retreats from China

The Georgia Institute of Technology announced it is shuttering its Shenzhen campus and closing a chapter of educational cooperation in the "China's Silicon Valley" dating back to 1984.

To date, Tianjin University remains on the Entity List, making Georgia Tech's participation with Tianjin University, and subsequently GTSI, no longer tenable" the University said in a statement. [READ MORE](#)

House China Hawks Continue Crane Refrain

Majority staff from the Homeland Security and Select China Committees released a report recapping their efforts to draw attention to the role of Chinese suppliers in U.S. Port Security.

China's Shanghai Zhenhua Heavy Industry Co., Ltd. (ZPMC), the world's largest STS crane manufacturer is an

entity of particular focus of the report. Producing nearly 80% of the STS cranes used at U.S. ports ZPMC commands 70% of the global market share. [READ MORE](#)

[Commerce Supply Chain Initiatives](#)

The Commerce Department has announced a new tool for analyzing supply chain resilience. Introduced at the inaugural Supply Chain Summit in Washington, the SCALE tool represents an effort to build the U.S. Government's analytical capacity to understand and address supply chain risk.

Officials also used the event to announce a redoubled effort to direct federal funds to favored industries via the Chips and Science Act and the Bipartisan Infrastructure Law. [READ MORE](#)

WTO

[WTO Fisheries Deal "almost there" per Chair](#)

The chair for the World Trade Organization's fisheries subsidies negotiations says that members "are almost there" on concluding a deal to address subsidies that contribute to overcapacity and overfishing "before the end of the year."

But in a five-page report emailed to Heads of Delegation on Monday and seen by WTD, Chair Ambassador Einar Gunnarsson of Iceland, acknowledged that "one member is calling for a fundamentally different approach". That one member is India. [READ MORE](#)

[China: US Destroying Multilateral Trade; Touts Green Industry](#)

China has inveighed against US trade policy, calling Washington "a destroyer" to the multilateral trading system," including the World Trade Organization - in a report on US compliance with the WTO.

The 64-page report titled "2024 Report on WTO Compliance of the United States," and issued by the Chinese commerce ministry yesterday, coincides with the ongoing WTO Public Forum that began early this week.

At the Public Forum, China showcased how its rapid green transition could help address climate mitigation. [READ MORE](#)

[Trades Transformative Role - WTO Report](#)

World Trade Organization Director-General Ngozi Okonjo-Iweala touted the trade's "transformative role in reducing poverty and creating shared prosperity – contrary to the currently fashionable notion that trade institutions like the WTO, have not been good for good for poverty or for poor countries, and are creating a more unequal world." The report outlines several major findings, emphasizing the need for a comprehensive strategy that integrates open trade with supportive domestic policies to make trade more inclusive. [READ MORE](#)

REGULATION

[AI & Cloud Reporting Requirements](#)

BIS released a Notice of Proposed Rulemaking outlining a new mandatory reporting requirement for the world's leading AI developers and cloud providers.

The proposed rule requires developers of the most powerful AI models and computing clusters to provide detailed reporting to the federal government. This includes reporting about developmental activities, cybersecurity measures, and outcomes from red-teaming efforts, which involve testing for dangerous capabilities like the ability to assist in cyberattacks or lower the barriers to entry for non-experts to develop chemical, biological, radiological, or nuclear weapons. [READ MORE](#)

[Deemed Exports Guidelines Updated](#)

BIS has recently updated its Guidelines for Preparing Export License Applications Involving Foreign Persons (Deemed Exports/Reexports).

Deemed exports are most often encountered in the employment context however, this guidance also addresses license submission requirements related to releases of controlled "technology" and "source code" to foreign persons in other contexts, such as foreign students participating in collaborative research when there are restrictions on publication or foreign students participating in curricular practical training (CPT) or optional practical training (OPT). [READ MORE](#)

[OFAC Statute of Limitations Update](#)

Additionally, OFAC put on public inspection Interim Final Rule to Extend Recordkeeping Requirements from Five to 10 Years, consistent with the extension of the statute of limitations for violations of certain sanctions administered by OFAC.

OFAC also put on public inspection a Comment Request for Reporting, Procedures and Penalties Regulations and Other Information Collections Maintained by OFAC for comments concerning OFAC's information requirements. [READ MORE](#)

SANCTIONS

[U.S. Allies Target Iran Missile Sales](#)

The US and allies announced a coordinated response to punish the government of Iran for supplying missiles to Moscow for use in Ukraine. In a significant step, the allies promised sanctions against Iran Air, further crippling the Airbus-dependant state carrier.

Existing sanctions have grounded much of the carrier's fleet of Airbus and ATR aircraft, with reports from last summer saying more than two-thirds were out of service. The average age of the fleet exceeds 25 years. [READ MORE](#)

[Syria Shipping Update](#)

Today, the Department of the Treasury's Office of Foreign Assets Control (OFAC) issued an update to the March 2019 OFAC Advisory to the Maritime Petroleum Shipping Community to highlight risks associated with shipments to Syria.

Amendments to this advisory include updates to certain deceptive shipping practices and risk mitigation measures, along with an updated annex of vessels currently identified as blocked property on OFAC's SDN List, that have been involved in fuel shipments to Syria. [READ MORE](#)

ENFORCEMENT

[Deere Thai Acquisition Yields FCPA Settlement](#)

The Securities and Exchange Commission announced that Deere & Company, which does business as John Deere, agreed to pay nearly \$10 million to resolve SEC charges that it violated the Foreign Corrupt Practices Act (FCPA) arising out of bribes paid by its wholly owned subsidiary, Wirtgen Thailand.

Thailand employees bribed Thai government officials with the Royal Thai Air Force, the Department of Highways, and the Department of Rural Roads to win multiple government contracts and also bribed employees of a private company to win sales to that company. [READ MORE](#)

[Wells Fargo Settles Money Laundering Probe](#)

Compliance-challenged banking behemoth Wells Fargo & Co reached a settlement with the Office of the Comptroller of the Currency (OCC) related to the bank's anti-money laundering (AML) and sanctions risk management failures. The Formal Agreement identifies deficiencies relating to the bank's financial crimes risk management practices and anti-money laundering internal controls in several areas including suspicious activity and currency transaction reporting, customer due diligence, and the bank's customer identification and beneficial ownership programs.

The agreement requires the bank to take comprehensive corrective actions to enhance its Bank Secrecy Act/anti-money laundering and U.S. sanctions compliance programs. [READ MORE](#)

[Russian MRO Enabler Pleads Guilty](#)

An Israeli freight forwarder pleaded guilty to conspiracy to commit export control and smuggling violations for his role in a scheme to illegally ship aircraft parts and avionics from U.S. manufacturers and suppliers to Russia, including for the benefit of sanctioned Russian airline companies.

As part of his plea agreement, Gal Haimovich, 49, admitted that his scheme involved deceiving U.S. companies about the true destination of the goods at issue, and that the defendant and others attempted to conceal the scheme by submitting false information in export documents filed with the U.S. government. A sentencing hearing has been set for Nov. 22. [READ MORE](#)