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Halliburton Pays \$29 Million to Settle SEC Bribery Charges

Houston-based oil company Halliburton agreed July 27 to pay Securities and Exchange Commission (SEC) \$29.2 million in disgorgement, prejudgment interest and a civil penalty to settle charges of violating the Foreign Corrupt Practices Act (FCPA) by making payments to a local company in Angola to win contracts.

From 2010 through 2011, Halliburton paid \$3,705,000 to the company that an official of Angola's state oil company Sonangol had approved to fulfill local content obligations, the SEC charged. "The local Angolan company was owned by a former Halliburton employee and a friend and neighbor of the Sonangol government official and some of the payments were made in advance of Halliburton obtaining lucrative oilfield services contracts," it noted.

Charges relate to two contracts that former company vice president Jeannot Lorenz negotiated in 2009 and 2010. Lorenz separately agreed to pay a \$75,000 penalty. Halliburton agreed to retain an independent compliance consultant for 18 months to review its procedures, particularly involving local content obligations in Africa. Halliburton promptly reported the allegation, conducted a thorough internal investigation and cooperated with SEC and Justice, the company said in a statement. "Over the intervening years, Halliburton also continuously enhanced its global ethics and compliance program," it added. "DOJ has advised the Company that it has closed its investigation and will not be taking any action," the company noted.

Halliburton Atlantic Limited, a Cayman Island subsidiary of Halliburton Energy Services, agreed in February 2016 to pay \$304,706 to settle unrelated charges of violating Cuba sanctions involving an oil concession in Angola (see **WTTL**, Feb. 29, 2016, page 7).

Congress Sends Sanctions Bill to White House

In perhaps the first test of the president's veto power, the Senate July 27 passed sanctions targeting Russia, Iran and North Korea in an overwhelmingly bipartisan vote. Senators

passed the Countering America's Adversaries Through Sanctions Act (H.R.3364) by a 98-2 vote and sent the bill to the president the following day. As of press time, the president had neither signed nor vetoed the legislation.

Sens. Rand Paul (R-Ky.) and Bernie Sanders (I-Vt.) voted no, as they had in mid-June (see **WTTL**, June 19, page 4). Two days earlier, the House passed the same bill in another overwhelming 419-3 vote. The bill requires the president to notify Congress before it makes changes to Russia sanctions policy. Congress then has 30 days during which they can prevent the president from altering Russia sanctions policy.

Meanwhile, Treasury's Office of Foreign Assets Control (OFAC) July 28 sanctioned six Iran-based subordinates of blocked entity Shahid Hemmat Industrial Group (SHIG) in response to Iran's launch the day prior of a Simorgh space launch vehicle. Such vehicles use technologies closely related to intercontinental ballistic missiles. OFAC designated two other SHIG subordinates in March 2016 (see **WTTL**, March 28, 2016, page 2).

In a joint statement July 28, France, Germany, United Kingdom and the U.S. said that the Simorgh launch was inconsistent with UN Security Council Resolution (UNSCR) 2231 not to undertake any activity related to ballistic missiles designed to be capable of delivering nuclear weapons.

"Iran's program to develop ballistic missiles continues to be inconsistent with UNSCR 2231 and has a destabilizing impact in the region. We call on Iran not to conduct any further ballistic missile launches and related activities. We are writing to the UN Secretary General with our concerns. The governments of France, Germany and the United Kingdom are discussing these issues bilaterally with Iran and are raising their concerns," the countries noted.

In response to the new sanctions bill, Russia ordered the seizure of two U.S. properties in Russia and demanded the U.S. embassy cut its staff by Sept. 1. Russia is also suspending use of a U.S. storage facility in Moscow and a country house by Aug. 1. "Any new unilateral actions by the U.S. authorities to reduce the number of our diplomats in the United States will be met with a mirror response," Russia's Foreign Ministry said in a statement.

Singapore Telecom Provider Settles Iran Sanctions Charges

CSE TransTel, a wholly owned subsidiary of international technology group CSE Global Limited, both of which are located in Singapore, has agreed to pay Treasury's Office of Foreign Assets Control (OFAC) \$12,027,066 to settle 104 charges of violating Iran sanctions between June 2012 and March 2013.

TransTel caused at least six separate financial institutions to engage in the unauthorized exportation or re-exportation of financial services from the U.S. to Iran by originating 104 U.S. dollar wire transfers involving Iran and totaling more than \$11,000,000 through the

U.S., OFAC said. TransTel did not voluntarily self-disclose the apparent violations. “The transactions were destined for multiple third-party vendors (including several Iranian parties) that supplied goods or services to or for the above-referenced energy projects in Iran, and all of the funds transfers were processed through the United States,” the agency noted. “None of the transactions contained references to Iran, the Iranian projects, or any Iranian parties,” it added.

OFAC cited a 2012 letter of undertaking TransTel signed with a non-U.S. financial institution where it promised “not to route any transactions related to Iran through [the Bank], whether in Singapore or elsewhere,” the letter said. “When signing letters of attestation or making other representations and warranties to financial institutions that provide access to the U.S. financial system, individuals and entities should consider carefully whether they are willing and able to act within the parameters of such agreements,” the agency warned.

“After due and careful consideration, CSE and CSE Transtel have agreed to settle with OFAC, the matter of the alleged violations as the alternative would have been a costly and lengthy litigation in the United States, which would take up much of management time and resources, the outcome of which is not at all certain,” the company said in a statement.

“While the settlement with OFAC is very much regretted, the Board of CSE has taken active remedial steps to review its business and operational processes to ensure that such alleged violations or anything similar will not happen again,” it added.

South Korea Asks for Delay in USTR Request

South Korea’s new Trade Minister Paik Ungyu pushed back on U.S. Trade Representative (USTR) Robert Lighthizer’s request for a joint committee to review the U.S.-Korea Free Trade Agreement (KORUS), according to a letter sent to Lighthizer July 24, pieces of which were published by Korean media.

In response to Lighthizer’s July 12 letter, Paik suggested that the joint committee “discuss how best to work together to objectively examine, analyze and assess the effects of the Korus FTA.” Oh, and those talks should take place in Seoul, not Washington, “at an appropriate date in the near future,” following Korea’s government restructuring, according to the letter. Per KORUS, talks are supposed to begin 30 days after a request is made (see **WTTL**, July 24, page 11).

While sensitive to the current U.S. administration’s concerns about trade imbalance, the Korean government believes the deal has been beneficial to both countries, Paik noted. The beef industry let Lighthizer and Agriculture Secretary Sonny Perdue know in a letter July 27 that they do not want to see damage done to the relationship. “Under KORUS, the U.S. beef industry has seen an 82% increase in annual sales to South Korea, from \$582 million in 2012 to \$1.06 billion in 2016, making South Korea the second largest export

market for U.S. beef,” wrote the National Cattlemen’s Beef Association, U.S. Meat Export Federation and North American Meat Institute. “Simply put, KORUS created the ideal environment for the U.S. beef industry to thrive in South Korea. We would not support any changes in the terms of the KORUS that would jeopardize either our market share or the significant investment that has been made in rebuilding Korean consumer confidence in the safety, quality, and consistency of U.S. beef,” it added.

U.S.-UK Talk Future Trade Agreement

While no formal trade agreement can be signed until the United Kingdom (UK) completes its exit from the European Union (EU), USTR Robert Lighthizer and UK International Trade Secretary Liam Fox spoke nice words about a future trade relationship July 24, opening the first meeting of the U.S.-UK Trade and Investment Working Group.

“We expect this Working Group to be a key mechanism to deepen our already strong bilateral trade and investment relationship, and to lay the groundwork for our future trade relationship once the UK has left the EU,” said Lighthizer, opening the session. “I look forward to building on our already strong economic relationship and furthering our mutual goal of achieving free and fair trade and investment to create good-paying jobs on both sides of the Atlantic,” he added.

At an event with reporters the following day, Fox went into more specifics about the working group’s four streams. The first stream is focused on continuity. Agreements that stand between the EU and the U.S. will need to be replicated between the UK and U.S. to ensure no disruption to trade. The second will focus on short-term outcomes, namely whatever bilateral liberalizations can be accomplished while the UK is still part of the EU. The third stream will scope out the future of a UK-U.S. free trade agreement, and the fourth will focus on global liberalization on trade and investment.

“It’s interesting that last year the global growth of trade was only 1.3%. The growth of UK-U.S. trade was 8.3%, and this is a vibrant and vital economic relationship so our fourth work stream is, how do we work together internationally, including at the World Trade Organization, to actually get a better trading environment so we can replicate globally what the U.S. and UK are already doing on a bilateral basis,” Fox said.

House Ag Committee Hears Testimony on NAFTA Priorities

Agricultural groups reiterated their NAFTA concerns at a House Agriculture Committee hearing July 26. The testimony given by dairy, wheat, meat and fruit producers largely echoed the themes of the NAFTA modernization hearing convened by USTR and Commerce in June (see **WTTL**, July 3, page 5). Former Agriculture Secretary Tom Vilsack, now president and CEO of the U.S. Dairy Export Council, kicked things off, telling the committee they need to preserve the reciprocal duty-free market access as Mexico now accounts for nearly one-third of all U.S. dairy exports.

Sanitary and phyto sanitary regulations, rules of origin and provisions protecting the use of common names for cheese products need to be strengthened. But most of all, the dairy industry wants NAFTA renegotiations to fix “the trade-distorting practices that have been implemented by Canada to protect their supply management and their market opportunities,” said Vilsack.

Other witnesses worried that agriculture could wind up as a retaliation target. Mexico is already looking to buy corn and other grains from Argentina and Brazil beginning next month, Floyd Gaibler, director of trade policy and biotechnology for the U.S. Grains Council, said. Mexico and Canada were the third and second-largest agricultural export markets, respectively, for the U.S. last year.

Gaibler was the first to bring up the Trans-Pacific Partnership (TPP). Much of the administration’s NAFTA priorities mirror text found in the TPP (see **WTTL**, July 24, page 3). “Moving forward, we believe that NAFTA modernization should build on the provisions and objectives of the Trans-Pacific Partnership. TPP included several important provisions that would be well suited for this agreement,” said Gaibler.

NAFTA has been a “godsend” for U.S. poultry, Kevin Brosch, international trade counsel for USA Poultry and Egg Export Council, testified. “It’s hard to believe, but before NAFTA we had almost no exports. We now have more than a million metric tons of exports if you count all poultry products,” said Brosch. “Our message is the same as our colleagues from the beef industry: please do no harm,” added Brosch.

“Quite frankly, it is difficult to improve upon duty-free, unlimited access to Canada and Mexico,” said National Cattlemen’s Beef Association CEO Kendal Frazier.

But not every agricultural sector has fared so well. “While our friends in the grain and meat industry have fared well with NAFTA, the fresh fruit and vegetable industry has been taking it on the cuff, from the standpoint of unfair competition coming into the country,” said Reggie Brown, who represents the Florida Tomato Growers Exchange and Florida Fruit and Vegetable Association. Brown testified that Mexico subsidizes its domestic tomato industry and “have been trading in product prices into this country that would constitute dumping.”

The long-running dispute over tomatoes from Mexico dates back to the 1990s. Most recently, the Court of International Trade ruled in 2015 that Commerce failed to provide all the information behind its 2013 agreement with Mexican tomato exporters to suspend the antidumping investigation of tomato imports from Mexico (see **WTTL**, Sept. 28, 2015, page 1).

Commerce Upholds Ruling on Extruded Aluminum Products

In a ruling hailed by domestic aluminum producers, Commerce July 20 upheld its affirmative determination that heat-treated 5050-grade aluminum alloy products are

covered under and thus circumventing the antidumping and countervailing duty orders on aluminum extrusions from China. At the same time, Commerce also rescinded its minor alterations anticircumvention inquiry.

Commerce published its preliminary determination in the Federal Register Nov. 14, 2016, and proceeded to extend its final determinations repeatedly as importers and the original petitioner submitted new factual information. Cash deposits are retroactive to the original date of the inquiry, March 2016.

Aluminum Extrusions Fair Trade Committee (AEC) was the petitioner, and China Zhongwang Holdings Ltd. was the main target, though Commerce extended its investigation to all Chinese producers. “This final decision settles the so-called 5050 alloy circumvention scheme once and for all and is another important victory for the domestic aluminum extrusion industry,” AEC said in a statement.

Sens. Rob Portman (R-Ohio) and Sherrod Brown (D-Ohio) also praised the announcement in a joint statement. “I applaud Commerce’s decision to fight back against Chinese efforts to avoid our trade laws and protect American jobs,” said Portman.

“Ohio aluminum workers can compete with anyone – but they need a level playing field,” Brown said. “We’ve got to hold cheaters accountable. This ruling will help crack down on China’s trade abuses and support American workers,” he added.

Most Trading Partners Underperformed Growth, ITC Says

Global economic growth slowed in 2016, according to the International Trade Commission’s (ITC) annual trade report published July 25. Global growth fell from 3.4% in 2015 to 3.1% in 2016. U.S. real gross domestic product increased 1.6% in 2016, though the year prior it had increased 2.6%. Most major U.S. trading partners underperformed the world average of 3.1%, with the exceptions of China and India.

U.S. imports and exports of goods declined in 2016 from the year before. According to the report, the value of U.S. merchandise exports dropped 3.3% from \$1,502.6 billion in 2015 to \$1,453.7 billion in 2016. The report attributes the decline to petroleum prices, even though the quantity of U.S. exports and imports of crude petroleum increased.

Bilateral private services trade increased 1.4%, though exports remained nearly unchanged from 2015. Those in search of a silver lining can look to the agricultural sector, the only goods sector to experience a trade surplus in 2016 to the tune of \$9.3 billion more exports than imports.

ITC instituted 36 preliminary antidumping investigations and made 41 final determinations in 2016. During the same period, it instituted 16 new preliminary countervailing duty investigations and made 25 final determinations. The commission instituted

53 sunset reviews, with 47 antidumping and countervailing duty orders continued for up to five additional years. An interactive web-based version of the report will be available this fall.

* * * **Briefs** * * *

NOMINATIONS: Senate Banking Committee July 27 approved by voice vote nominations of Richard Ashooh to be BIS assistant secretary and Elizabeth Erin Walsh to be assistant secretary of Commerce and director general of U.S. and Foreign Commercial Service.

USTR: White House July 27 sent Senate nomination of C.J. Mahoney to be deputy USTR for investment, services, labor, environment, Africa, China and Western Hemisphere. Mahoney is partner at Williams & Connolly LLP. Administration announced intent to nominate Mahoney week before (see **WTTL**, July 24, page 10).

VENEZUELA: OFAC July 26 designated 13 current or former senior Venezuelan government officials under Executive Order (EO) 13692, for “undermining democracy or human rights” there. Sanctioned individuals include officials of country’s National Police, National Guard and Army, in addition to executives of Venezuela’s state-owned oil company, Petroleos de Venezuela, S.A. (PDVSA) and National Center for Foreign Commerce (CENCOEX). In May OFAC designated eight members of Venezuela’s Supreme Court of Justice (see **WTTL**, May 22, page 8).

PENCILS: In 4-0 “sunset” vote July 27, ITC said revoking antidumping duty order on imports of cased pencils from China would renew injury to U.S. industry.

STEEL FLANGES: In 4-0 final votes July 27, ITC found U.S. industry is materially injured by dumped imports of finished carbon steel flanges from India and Italy and subsidized imports from India.

BAT: Tax reform plan will not include Border Adjustability Tax (BAT), GOP leadership announced July 27. “While we have debated the pro-growth benefits of border adjustability, we appreciate that there are many unknowns associated with it and have decided to set this policy aside in order to advance tax reform,” said House Speaker Paul Ryan (R-Wis.), Senate Majority Leader Mitch McConnell (R-Ky.), Treasury Secretary Steve Mnuchin, National Economic Council Director Gary Cohn, Senate Finance Committee Chairman Orrin Hatch (R-Utah), and House Ways and Means Committee Chairman Kevin Brady (R-Texas) in joint statement. Retailers and trading partners applauded. “Today’s announcement is an important victory for American families and businesses who desperately need tax reform and who would have been harmed most by the border adjustment tax,” said Sandy Kennedy, president of Retail Industry Leaders Association (RILA), in statement. “Canada is pleased to see the border tax proposal dropped by the US. We know our people and economies prosper together,” Canadian Foreign Minister Chrystia Freeland tweeted.

FCPA: Federal jury July 27 convicted Ng Lap Seng, owner of Macau Real Estate Development Company, in Manhattan U.S. District Court after four-week trial on charges of violating Foreign Corrupt Practices Act (FCPA) by bribing Antiguan and Dominican ambassadors to UN. Ng and Jeff Yin, Ng’s principal assistant, were charged in superseding indictment in November 2016 (see **WTTL**, Nov. 28, 2016, page 7). Yin pleaded guilty in April 2017. Ng and Yin allegedly paid hundreds of thousands of dollars to ambassadors in exchange for official action to benefit Ng and his company. Specifically, Ng sought formal UN support for Macau Conference Center that he hoped to build. Yin’s sentencing is set for Sept. 1.

EXPORT ENFORCEMENT: New Zealand resident William Ali was sentenced July 27 in Seattle U.S. District Court to two years in prison for conspiring to violate Arms Export Control Act. Federal jury convicted Ali in December of attempting to export Q-flex accelerometers and quartz sensors to China without State licenses (see **WTTL**, Jan. 2, page 10). Ali pleaded guilty July 20 to conspiracy after court granted motion alleging counsel provided him “ineffective assistance” in connection with pretrial plea offer, Justice spokesperson Emily Langlie told **WTTL** via email. Items were classified under USML Category XII.

SOFTWOOD LUMBER: Senate Finance Committee members July 24 urged Commerce Secretary Wilbur Ross and USTR Robert Lighthizer to “negotiate a clean quota agreement, holding Canada to its June 2016 commitment to negotiate that is ‘designed to maintain Canadian exports at or below an agreed market share’ and resist provisions that undermine a stable and a clearly enforceable system.” Signatories included Sens. Ron Wyden (D-Ore.), Mike Crapo (R-Idaho), Michael Enzi (R-Wyo.), Debbie Stabenow (D-Mich.), Johnny Isakson (R-Ga.), Mark Warner (D-Va.) and Michael Bennet (D-Colo.). U.S. Lumber Coalition applauded senators for “speaking up on behalf of the over 350,000 hard-working men and women in the American lumber industry,” Zoltan van Heyningen, Coalition spokesperson, said in statement July 25.

EX-IM BANK: House Democrats do not want former colleague Scott Garrett (R-N.J.) to serve as Export-Import Bank (Ex-Im) president and board chairman. In letter July 27, Democratic Whip Steny Hoyer (D-Md.) and colleagues asked Senate Banking Committee Chairman Mike Crapo (R-Idaho) to insist that Garrett answer if he repudiates past statements against Ex-Im and if he’ll support Ex-Im reauthorization. Two days earlier, Hoyer and two colleagues called for president to withdraw Garrett’s nomination. Industry opposition has grown in last few weeks (see **WTTL**, July 24, page 7). Congressional sources say Garrett will begin meeting with Banking Committee members week of July 31.

AGOA: House Foreign Affairs Committee Chairman Ed Royce (R-Calif.), Ranking Member Eliot Engel (D-N.Y.) and Reps. Chris Smith (R-N.J.) and Karen Bass (D-Calif.) July 27 introduced African Growth and Opportunity Act (AGOA) and Millennium Challenge Act (MCA) Modernization Act (H.R. 3445). Bill would require creation of website to make AGOA benefits information readily available; encourage trade promotion policies; allow Millennium Challenge Corporation (MCC) up to two simultaneous compacts with eligible country; enable private-sector MCC board members to extend terms up to two years; and enhance transparency and MCC accountability.

TRADE PEOPLE: House Ways and Means senior trade counsel Jason Kearns left post July 28. President sent Senate Kearns’ nomination to International Trade Commission June 29 to replace Dean Pinkert, whose term expired in 2016 (see **WTTL**, July 3, page 8). Kearns joined Ways and Means staff in 2006 and has served as chief international trade counsel for trade subcommittee since 2012.