

Vol. 42, No. 28

July 11, 2022

## FBI Chief Beats China Drum in London

FBI Director Christopher Wray continued the administration's cry for China preparedness in remarks last week to business leaders in London:

"The Chinese government poses an even more serious threat to Western businesses than even many sophisticated businesspeople realize. So, I want to encourage you to take the long view as you gauge that threat and as you plan to meet it. The Chinese government is set on stealing your technology—whatever it is that makes your industry tick—and using it to undercut your business and dominate your market. And they're set on using every tool at their disposal to do it.

"We've seen the regional bureaus of China's MSS—their Ministry of State Security—key in specifically on the innovation of certain Western companies it wants to ransack. And those efforts pale in comparison to their lavishly resourced hacking program that's bigger than that of every other major country combined.

"In addition to traditional and cyber-enabled thievery, there are even more insidious tactics they'll use to essentially walk through your front door—and then rob you. The Chinese government likes to do this by making investments and creating partnerships that position their proxies to steal valuable technology.

"So, when you deal with a Chinese company, know you're also dealing with the Chinese government—that is, the MSS and the PLA—too, almost like silent partners. The Chinese government has shut off much of the data that used to enable effective due diligence, making it much harder for a non-Chinese company to discern if the company it's dealing with is, say, a subsidiary of a Chinese state-owned enterprise.

© Copyright 2022 Gilston-Kalin Communications LLC P.O. Box 5325, Rockville, MD 20848-5325  
All rights reserved. Subscription and corporate site license information 301.460.3060

[www.wttonline.com](http://www.wttonline.com)

*Publisher: Martin Kalin Editor: Frank Ruffing +1.703.283.5220. [fruffing@tradereqs.com](mailto:fruffing@tradereqs.com)*

*Contributing Editor: Gaurav Sansanwal, Esq.*

"If you're considering partnering with a Chinese-owned company, you should ask their Ministry of Commerce: Can they assure you that your employees won't be dragooned into working for their Ministry of State Security and against you? That you won't have to load their tax software or any other state-sanctioned software onto your systems? That your company won't be punished because of one of your employees' tweets?

"I'm not here to tell you to avoid doing business in or with China altogether. Of course, sophisticated Western businesses have long found ways to succeed in tough environments. It's risk versus reward, with a premium on accurately assessing that risk.

"I'd ask you to take the long view. I'm thinking of the view that high-performing boards of directors bring to a company. Looking past the nearest earnings report, to maximizing the value of the company over the course of years, long after today's management team may have moved on. Consider that it may be a lot cheaper to preserve your intellectual property now than to lose your competitive advantage and have to build a new one down the road." [\[excerpted\]](#)

## UN, World Bank Call Out Sanctions, Food Export Bans

UN Special Rapporteur on Unilateral Coercive Measures has released a [Guidance Note](#) on "Overcompliance with Unilateral Sanctions and its Harmful Effects on Human Rights". Describing over-compliance by financial institutions as "excessive avoidance of risk", the document notes that in many cases, banks have blocked transactions that may fall outside of the sanctions' scope. Aside from leading to delays and making shipments costly, this also undermines economic development and harms human rights.

In a similar vein, UN experts have also raised concerns over expansion of unilateral sanctions into areas of scientific and academic research and publishing, after noting cases where research submitted by authors from sanctioned countries was disqualified.

Meanwhile, The World Bank has [called](#) bans and restrictions on food exports "counterproductive" amidst emerging food crisis. According to their recent analysis, the bans imposed in response to the Ukraine war have increased the global price of rice by more than 12 percent, of wheat by 9 percent and of maize by around 6 percent.

## Canada Solar Spat Smoothed

Canada and the US have agreed on a memorandum of understanding (MoU) to resolve a dispute on trade in solar products, whereby the US will remove its safeguard tariffs on solar products from Canada. This agreement follows Canada's victory at a USMCA dispute panel earlier this year, which found that the United States' tariffs were in violation of USMCA

In early 2018, the United States imposed the "solar safeguard measure" to support the domestic solar industry's efforts to adjust to import competition primarily attributable to excess solar cell and module capacity by Chinese producers in China and around the world Since the imposition of the U.S.

safeguard tariffs in early 2018, exports of solar products from Canada to the United States have declined by as much as 82%.

## Customs Chief Hosts Trade Advisory Committee

U.S. Customs and Border Protection Commissioner Chris Magnus met with members of the Commercial Customs Operations Advisory Committee (COAC), June 29, at CBP's Advanced Training Center in Harpers Ferry, West Virginia.

Magnus briefed attendees on the 21st Century Customs Framework, a CBP initiative that addresses current and future trade challenges and modernization barriers. "I am encouraged by the significant progress CBP and the 21st Century Task Force have made over the past several months," said Magnus. "The 21st Century focus group has submitted a report ahead of today's public meeting that formally expresses support of nearly half of the 21st Century Customs Framework legislative package."

The Commissioner also addressed the Uyghur Forced Labor Prevention Act. "We implemented the rebuttable presumption process that just went into effect on June 21st," said Magnus. "I understand that it's going to impact businesses... I think we all share the same goals, and that's a safe, secure supply chain that is free of exploitation of so many vulnerable individuals."

The meeting included updates on trade programs and COAC subcommittee work. A total of 45 recommendations were presented and unanimously passed. Twelve of the recommendations pertained to [forced labor](#), five focused on [partnership programs](#) and industry engagement, three concerned the [21st Century Customs Framework](#) and one dealt with export modernization. The remaining 24 recommendations focused on [in-bond regulations](#).

The Intellectual Property Rights Working Group, reactivated after having been on hiatus, begun to evaluate current CBP communication practices impacting exam, detention, and forfeiture. The Group's first recommendations will be focused on steps that CBP can take to automate the detention process, which is currently paper based.

## May Trade Figures

Census reports the U.S. trade deficit in goods and services decreased to (\$85.5 billion) in May from (\$86.7 billion) in April (revised), as export growth outpaced that of imports. Year-to-date, the goods and services deficit grew to (\$456 billion), or 38% greater than the same period in 2021. *De minimus* imports, not counted by Census, likely push the deficit through May past the half-trillion mark.

The deficit with China decreased to (\$32.2 billion) in May. Exports increased to \$12.5 billion and imports decreased to (\$44.7 billion). Trade with Russia continued to shrink, with exports falling to \$77.4 million (from \$397 million in January), while US imports fell to just over (\$1 billion), the lowest since April 2020.

Germany last week reported its first monthly trade deficit in 31 years, as energy costs spiked. The May import average price per barrel of crude oil (\$98.99) was the highest since October 2013 (\$99.96).

## ITC Trade Shifts Report

The US International Trade Commission (ITC) released its latest [Shifts in U.S. Merchandise Trade, 2021](#), the Commission's annual examination of trends in U.S. merchandise trade within 10 industry sectors. The report includes special topic chapter examining the significant rise in commodity prices in 2021, outlining commodity price trends and relating observed trends to trade flows changes.

Highlights from the Trade Shifts 2021 report include:

- U.S. total exports and U.S. general imports both increased in 2021. However, since U.S. imports rose more quickly than U.S. exports, the overall merchandise trade deficit grew by \$167.9 billion (18.4 percent) to \$1.1 trillion in 2021.
- In 2021, the United States experienced a trade deficit in 9 of the 10 merchandise sectors included in this report. The only exception was energy-related products, which had a surplus of \$28.2 billion.
- Canada returned to its position as the top U.S. trade partner in 2021; China and Mexico fell to second and third place, respectively. The largest destination markets for U.S. exports were Canada and Mexico. China continued to be the top source of U.S. imports at \$434.7 billion, having risen by \$71.6 billion (16.5 percent) in 2021.
- The minerals and metals digests with the largest absolute import increases were steel mill products, which rose \$16.6 billion (99.1 percent); natural and synthetic gemstones, which rose \$8.6 billion (63.4 percent); and copper and related products, which rose \$7.0 billion (80.0 percent). The largest sources of U.S. imports of minerals and metals were Canada, China, Mexico, India, and Germany. Those five countries accounted for 51.5 percent of the total U.S. imports of minerals and metals in 2021.

## Oil Traders Sanctioned

Treasury's Office of Foreign Assets Control (OFAC) this week sanctioned a network of individuals and Gulf-based front companies responsible for the delivery and sale of hundreds of millions of dollars' worth of Iranian petroleum and petrochemical products from Iranian companies to East Asia.

Today's action is being taken pursuant to Executive Order (E.O.) 13846 and follows OFAC's June 16, 2022 designations of an international sanctions evasion network supporting Iranian petrochemical sales. Concurrently with Treasury's designations, the Department of State imposed sanctions on five entities based in Iran, Vietnam, and Singapore and two vessels.

## Counterfeit Networking Devices, Fulfilled by Amazon

A Florida man was arrested for trafficking fraudulent and counterfeit Cisco networking equipment with an estimated retail value of over \$1 billion. According to the indictment, Onur Aksoy of Miami, allegedly ran at least 15 Amazon storefronts, at least 10 eBay storefronts, and multiple other entities (collectively, the “Pro Network Entities”) that imported tens of thousands of fraudulent and counterfeit Cisco networking devices from China and Hong Kong and resold them to customers in the United States and overseas, falsely representing the products as new and genuine. The operation allegedly generated over \$100 million in revenue.

The devices the Pro Network Entities imported from China and Hong Kong were typically older, lower-model products, some of which had been sold or discarded, which Chinese counterfeiters then modified to appear to be genuine versions of new, enhanced, and more expensive Cisco devices. The Chinese counterfeiters allegedly added counterfeited Cisco labels, stickers, boxes, documentation, packaging, and other materials. Customers of Aksoy’s fraudulent and counterfeit devices included hospitals, schools, government agencies, and the military.

Between 2014 and 2022, Customs and Border Protection (CBP) seized approximately 180 shipments of counterfeit Cisco devices being shipped to the Pro Network Entities from China and Hong Kong. To try to avoid CBP scrutiny, Chinese co-conspirators allegedly broke the shipments up into smaller parcels and shipped them on different days.

According to the indictment, between 2014 and 2019, Cisco sent seven letters to Aksoy asking him to cease and desist his trafficking of counterfeit goods. Aksoy allegedly responded to at least two of these letters by causing his attorney to provide Cisco with forged documents.

Aksoy is charged with one count of conspiracy to traffic in counterfeit goods and to commit mail and wire fraud; three counts of mail fraud; four counts of wire fraud; and three counts of trafficking in counterfeit goods. Aksoy was charged by a criminal complaint filed in New Jersey on June 29 and was arrested in Miami the same day.

### \*\*\* Briefs \*\*\*

**Section 301 Repeal Hangs Fire.** As factions in the Administration vie for the president’s favor, the repeal of the 2018 Section 301 tariffs on Chinese merchandise remains undecided. Current Treasury Secretary Janet Yellen and her allies are pushing for a repeal in order to staunch inflationary pressures, while USTR Katherine Tai continues to insist the US ask China for something in return for the repeal.

**BIS – Update Conference 2022.** The recorded presentations from the BIS 2022 Update Conference on Export Controls & Policy are available [to view](#) on demand until August 6, 2022.

**ITA - Office of Textiles and Apparel (OTEXA)** Industry Trade Advisory Committee (ITAC) Group 12, Textiles and Clothing is [recruiting](#) members.

**Canada - Sanctions Russia.** Ottawa sanctioned 29 state-sponsored “disinformation and propaganda agents” as well as 15 entities “controlled or owned by the Russian government”. This comes after Canada toughened its sanctions enforcement regime by adopting the power to “forfeit and redistribute” a sanctioned entity’s assets through its budget implantation bill (Bill C-19).

**India - CAATSA Sanctions Waiver Sought** Congressman Ro Khanna (D-CA) has introduced a legislative amendment in the House of Representatives, seeking a CAATSA sanctions waiver to India for its purchase of the S-400 missile defense system from Russia. The Silicon Valley Lawmaker argued that India’s purchase was based on its immediate need to maintain supply of weapons, even as the country continues to transition to closer defense ties with the US and its allies.

**Venezuela - OFAC** issued General License 40A July 7, permitting the sale of Liquefied Petroleum Gas (LPG) to Venezuela. LPG, or propane is used as a cooking fuel, and the sale to Venezuela had been permitted under General License 40, issued for one year last July. The license does not authorize “any payment-in-kind of petroleum or petroleum products,” or transactions otherwise blocked by existing sanctions. Despite having the largest oil reserves in the world, Venezuelans have resorted to cooking with wood as domestic petroleum production has collapsed.

**Aerojet Rocketdyne Inc.**, agreed to pay \$9 million to resolve allegations that it violated the False Claims Act by misrepresenting its compliance with cybersecurity requirements in certain federal government contracts, the Justice Department announced July 8. Aerojet provides propulsion and power systems for launch vehicles, missiles and satellites and other space vehicles to the Department of Defense, NASA and other federal agencies. The settlement resolves a lawsuit filed and litigated by a former Aerojet employee under the *qui tam* or whistleblower provisions of the False Claims Act.

**WTO & UN Launch Paperless Trade Initiative** The Cross-Border Paperless Trade Toolkit is the result of a collaboration between ESCAP, UNCITRAL and the WTO. Building on existing tools developed by ESCAP, UNCITRAL and EIF, it aims at raising awareness of the technical and legal tools to be called upon to adopt cross-border paperless trade systems and national single windows. Ironically, a 48 page document, the briefing can be read [here](#).

**\*\*\* Appointments \*\*\***

**Richard Nephew** has been appointed to be the State Department's Coordinator on Global Anti-Corruption. He is returning to the Department from Columbia University's Center on Global Energy Policy, where he was a Senior Research Scholar. Prior to his tenure at Columbia, Richard served most recently as deputy special envoy for Iran, Principal Deputy Coordinator for Sanctions Policy at the State Department, and Director for Iran on the National Security Staff. "The new hire claims he is aware of the irony" tweeted Rich Nephew.

**\*\*\* Calendar \*\*\*****Customs and Border Protection 2022 Trade Facilitation and Cargo Security Summit**

July 18-20, in Anaheim, California, and virtually via webcast. (In-Person registration is full). CBP has combined its annual Trade Symposium and Customs Trade Partnership Against Terrorism (CTPAT) conference, with key industry speakers, panel discussions and workshops highlighting the latest requirement updates and best practices for navigating today's complex supply chain challenges. *Registration for the 2022 Trade Facilitation and Cargo Security Summit will close on Tuesday, July 12 at 5:00 p.m. (EDT).* [Click here](#) to register for virtual participation.

**BIS - Sensors and Instrumentation Technical Advisory Committee (SITAC)** will meet on July 26, at 1:00 p.m., Eastern Daylight Time, via teleconference. The Committee advises the Office of the Assistant Secretary for Export Administration on technical questions that affect the level of export controls applicable to sensors and instrumentation equipment and technology. The open session will be accessible via teleconference on a first come, first serve basis. To join the conference, submit inquiries to Ms. Yvette Springer at [Yvette.Springer@bis.doc.gov](mailto:Yvette.Springer@bis.doc.gov) no later than July 19.

**ITA - Civil Nuclear Trade Advisory Committee (CINTAC)** will meet Thursday, August 4, from 10:00 a.m. to 3:00 p.m. (EDT). The deadline to register to participate, including requests to make comments during the meeting and for auxiliary aids, or to submit written comments for dissemination prior to the meeting, is 5:00 p.m. EDT on Friday, July 29. Contact Jonathan Chesebro, Office of Energy & Environmental Industries, International Trade Administration, at [jonathan.chesebro@trade.gov](mailto:jonathan.chesebro@trade.gov).

**Commerce – BIS Encryption Controls Virtual Seminar.** Presented by BIS, co-sponsored by Professional Association of Exporters and Importers. August 10-11, 2022 9:00 a.m. to 12:00 p.m. PDT (UTC -7) each day. Cost: \$300. To register [click here](#) or contact the PAEI Admin at (408) 532-7234 or email [paeiadmin@paei.org](mailto:paeiadmin@paei.org). Last day to register is Friday, August 5. California MCLE: 5.5 credit hours.

## International Trade Commission (ITC) Blotter

*(Click item for Federal Register )*

- Investigations; Determinations, Modifications, and Rulings, etc.: Certain L-Tryptophan, L -Tryptophan Products, and Their Methods of Production scheduled for publication on 07/11/2022.
- Investigations; Determinations, Modifications, and Rulings, etc.: Freight Rail Coupler Systems and Components from China scheduled for publication on 07/11/2022.

### ***Published Last Week***

- Notice of Receipt of Complaint; Solicitation of Comments Relating to the Public Interest. ITC received a complaint entitled Certain Video Processing Devices and Products Containing the Same, DN 3626;
- Certain Portable Battery Jump Starters and Components Thereof; Notice of Commission Determination Not To Review a Final Initial Determination of Violation of Section 337 With Respect to Two Trademarks, and To Review and, on Review, Affirm a Finding of Violation With Respect to a Patent; Schedule for Filing Written Submissions on Remedy, the Public Interest, and Bonding
- Certain Electronic Devices Having Wireless Communication Capabilities and Components Thereof; Notice of a Commission Determination Not To Review an Initial Determination Terminating the Investigation as to Blu Products, Inc.; Termination of the Investigation
- Certain Televisions, Remote Controls, and Components Thereof Notice of Request for Submissions on the Public Interest
- Helical Spring Lock Washers From China and Taiwan; Termination of Five-Year Reviews

- Foreign Trade Zones (FTZs): Effects of FTZ Policies and Practices on U.S. Firms Operating in U.S. FTZs and Under Similar Programs in Canada and Mexico; Submission of Questionnaire and Information Collection Plan for Office of Management and Budget Review
- Notice of a Commission Determination Not to Review an Initial Determination Granting Return of Bond; Termination of Bond Return Proceeding; Certain Light-Emitting Diode Products, Fixtures, and Components Thereof
- Dioctyl Terephthalate From South Korea; Institution of a Five-Year Review

## ITA Antidumping / Countervailing Duty Blotter

*(Click item for Federal Register )*

- Antidumping or Countervailing Duty Investigations, Orders, or Reviews: Circular Welded Carbon-Quality Steel Pipe from the United Arab Emirates scheduled for publication on 07/11/2022.
- Commencement of a Compliance Proceeding Pursuant to the Uruguay Round Agreements Act scheduled for publication on 07/11/2022.
- Antidumping or Countervailing Duty Investigations, Orders, or Reviews: Certain Carbon and Alloy Steel Cut-To-Length Plate from Belgium; Correction scheduled for publication on 07/11/2022.

### ***Published Last Week***

- Light-Walled Rectangular Pipe and Tube from Mexico North American Free Trade Agreement (NAFTA), Article 1904; Binational Panel Review: Notice of Panel Decision
  - Refillable Stainless Steel Kegs From the People's Republic of China: Final Results of the Antidumping Duty Administrative Review; 2019-2020
  - Certain Quartz Surface Products From India: Preliminary Results of Antidumping Duty Administrative Review and Partial Rescission of Antidumping Duty Administrative Review; 2019-2021

- Glycine From Japan: Preliminary Results of Antidumping Duty Administrative Review; 2020-2021
- Certain Cold-Drawn Mechanical Tubing of Carbon and Alloy Steel From Italy: Preliminary Results of the Administrative Review of the Antidumping Duty Order and Preliminary Determination of No Shipments; 2020-2021
- Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review; 2020-2021
- Monosodium Glutamate From the Republic of Indonesia: Notice of Initiation and Preliminary Results of Changed Circumstances Review
- Chlorinated Isocyanurates From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2020-2021
- Certain Cut-to-Length Carbon-Quality Steel Plate Products From the Republic of Korea: Final Results of Antidumping Duty Administrative Review; 2020-2021
- Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled Into Modules, From the People's Republic of China: Final Results and Partial Rescission of Countervailing Duty Administrative Review; 2019
- Glycine From India: Preliminary Results and Rescission, in Part, of Countervailing Duty Administrative Review; 2020
- Finished Carbon Steel Flanges From Spain: Preliminary Results of Antidumping Duty Administrative Review; 2020-2021
- 1,1,1,2-Tetrafluoroethane (R-134a) From the People's Republic of China: Final Results of the First Expedited Sunset Review of the Antidumping Duty Order
- Certain Cold-Drawn Mechanical Tubing of Carbon and Alloy Steel From India: Preliminary Results of Antidumping Duty Administrative Review; 2020-2021
- Aluminum Extrusions From the People's Republic of China: Final Results of the Expedited Second Sunset Review of the Countervailing Duty Order
- Phosphor Copper From the Republic of Korea: Final Results of the First Expedited Sunset Review of the Antidumping Duty Order
- Certain Frozen Warmwater Shrimp From India: Final Results of Antidumping Duty Administrative Review; 2020-2021
- Stainless Steel Sheet and Strip From the People's Republic of China: Final Results of Expedited First Sunset Review of the Countervailing Duty Order
- Glycine From India: Preliminary Results and Rescission, in Part, of Antidumping Duty Administrative Review; 2020-2021
- Aluminum Extrusions From the People's Republic of China: Final Results of the Expedited Second Sunset Review of the Antidumping Duty Order
- Agreement Suspending the Countervailing Duty Investigation on Sugar From Mexico: Final Results of the 2020 Administrative Review
- Agreement Suspending the Antidumping Duty Investigation on Sugar From Mexico: Final Results of the 2019-2020 Administrative Review
- Aluminum Extrusions From the People's Republic of China: Final Results of Changed Circumstances Reviews, and Revocation, in Part, of the Antidumping and Countervailing Duty Orders
- Monosodium Glutamate From the Republic of Indonesia: Notice of Initiation and Preliminary Results of Changed Circumstances Review
- Stainless Steel Sheet and Strip From the People's Republic of China: Final Results of Expedited Sunset Review of the Antidumping Duty Order

*Since 1981, trade practitioners have relied on WTTL for concise, relevant reporting on Trade Policies, Negotiations, Legislation, Trade Laws and Export Controls.*

***Let us know what's useful to you:***

*Frank Ruffing +1.703.283.5220  
fruffing@traderegs.com*