



# EIB World Trade Headlines

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## ONE MORE REASON TO ENSURE ITAR COMPLIANCE this 4<sup>th</sup> of July

One of our retained companies has a tie to the U.S. Navy Seal Teams. He has on his wall an American flag once flown over Saddam Hussein's palace taken early in the Iraq war. He has said to us, "ITAR is a set of regulations created by our Government to protect America from enemies that are real and want to do us harm. **Executing ITAR policies at our company is *how each of us* working in Corporate America can do everything possible to protect our freedom without having to fight on the battlefield.**"



### NEWSLETTER NOTES

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***I thought you might  
all be interested in this!  
UTC and Hamilton  
Sundstrand plead Guilty!***

FOR IMMEDIATE RELEASE BUREAU OF  
INDUSTRY AND SECURITY Office of  
Congressional and Public Affairs June 28,  
2012 [www.bis.doc.gov](http://www.bis.doc.gov)

**UNITED TECHNOLOGIES SUBSIDIARY  
PLEADS GUILTY TO CRIMINAL  
CHARGES FOR HELPING CHINA  
DEVELOP NEW ATTACK  
HELICOPTER *United Technologies,  
Pratt & Whitney Canada and  
Hamilton Sundstrand Corporations  
Also Agree to Pay More Than \$75  
Million to U.S. Government***

BRIDGEPORT, Conn. – Pratt & Whitney  
Canada Corp. (PWC), a Canadian subsidiary  
of the Connecticut-based defense contractor  
United Technologies Corporation (UTC), today  
pleaded guilty to violating the Arms Export  
Control Act and making false statements in  
connection with its illegal export to China of  
U.S.-origin military software used in the  
development of China's first modern military  
attack helicopter, the Z-10.

In addition, UTC, its U.S.-based subsidiary  
Hamilton Sundstrand Corporation (HSC) and  
PWC have all agreed to pay more than \$75  
million as part of a global settlement with the  
Justice Department and State Department in  
connection with the China arms export  
violations and for making false and belated  
disclosures to the U.S. government about  
these illegal exports.

Roughly \$20.7 million of this sum is to be  
paid to the Justice Department. The  
remaining \$55 million is payable to the  
State Department as part of a separate  
consent agreement to resolve outstanding  
export issues, including those related to  
the Z-10. Up to \$20 million of this  
penalty can be suspended if applied by  
UTC to remedial compliance measures.  
As part of the settlement, the companies  
admitted conduct set forth in a stipulated  
and publicly filed statement of facts.

**The Charges**

Today in the District of Connecticut, the  
Justice Department filed a three-count  
criminal information charging UTC, PWC  
and HSC. Count One charges PWC with  
violating the Arms Export Control Act in  
connection with the illegal export of  
defense articles to China for the Z-10  
helicopter. Count Two charges PWC, UTC  
and HSC with making false statements to  
the U.S. government in their belated  
disclosures relating to the illegal exports.  
Count Three charges PWC and HSC with  
failure to timely inform the U.S. While  
PWC has pleaded guilty to Counts One  
and Two, the Justice Department has  
recommended that prosecution of UTC  
and HSC on Count Two, and PWC and  
government of exports of defense articles  
to China.

HSC on Count Three be deferred for two  
years, provided the companies abide by  
the terms of a deferred prosecution  
agreement with the Justice Department.

**As part of the agreement, the  
companies must pay \$75 million  
and retain an Independent  
Monitor to monitor and assess  
their compliance with export  
laws for the next two years.**

## The Export Scheme

Since 1989, the United States has imposed a prohibition upon the export to China of all U.S. defense articles and associated technical data as a result of the conduct in June 1989 at Tiananmen Square by the military of the People's Republic of China. In February 1990, the U.S. Congress imposed a prohibition upon licenses or approvals for the export of defense articles to the People's Republic of China. In codifying the embargo, Congress specifically named helicopters for inclusion in the ban.

Dating back to the 1980s, China sought to develop a military attack helicopter. Beginning in the 1990s, after Congress had imposed the prohibition on exports to China, China sought to develop its attack helicopter under the guise of a civilian medium helicopter program in order to secure Western assistance. The Z-10, developed with assistance from Western suppliers, is China's first modern military attack helicopter.

During the development phases of China's Z-10 program, each Z-10 helicopter was powered by engines supplied by PWC. PWC delivered 10 of these development engines to China in 2001 and 2002. Despite the military nature of the Z-10 helicopter, PWC determined on its own that these development engines for the Z-10 did not constitute "defense articles," requiring a U.S. export license, because they were identical to those engines PWC was already supplying China for a commercial helicopter.

Because the Electronic Engine Control software, made by HSC in the United States to test and operate the PWC engines, was modified for a military helicopter application, it was a defense article and required a U.S. export license. Still, PWC knowingly and willfully caused this software to be exported to China for the Z-10 without any U.S. export license. In 2002 and 2003, PWC caused six versions of the military software to be illegally exported from HSC in the United States to PWC in Canada, and then to China, where it was used in the PWC engines for the Z-10.

## **Belated and False Disclosures to U.S. Government**

These companies failed to disclose to the U.S. government the illegal exports to China for several years and only did so after an investor group queried UTC in early 2006 about whether PWC's role in China's Z-10 attack helicopter might violate U.S. laws. The companies then made an initial disclosure to the State Department in July 2006, with follow-up submissions in August and September 2006.

The 2006 disclosures contained numerous false statements. Among other things, the companies falsely asserted that they were unaware until 2003 or 2004 that the Z-10 program involved a military helicopter. In fact, by the time of the disclosures, all three companies were aware that PWC officials knew at the project's inception in 2000 that the Z-10 program involved an attack helicopter.

Today, the Z-10 helicopter is in production and initial batches were delivered to the People's Liberation Army of China in 2009 and 2010. The primary mission of the Z-10 is anti-armor and battlefield interdiction. Weapons of the Z-10 have included 30 mm cannons, anti-tank guided missiles, air-to-air missiles and unguided rockets.

"PWC exported controlled U.S. technology to China, knowing it would be used in the development of a military attack helicopter in violation of the U.S. arms embargo with China," said U.S. Attorney Fein. "PWC took what it described internally as a 'calculated risk,' because it wanted to become the exclusive supplier for a civil helicopter market in China with projected revenues of up to two billion dollars. Several years after the violations were known, UTC, HSC and PWC disclosed the violations to the government and made false statements in doing so

"Safeguarding our military technology is vital to our nation's defense and the protection of our war fighters both home and abroad. We know that foreign governments are actively seeking U.S. defense technology for their own development. Thwarting these efforts is a top priority for DCIS. I applaud the agents and prosecutors who worked tirelessly to bring about this result."

"Preventing the loss of critical U.S. information and technologies is one of the most important investigative priorities of the FBI," said FBI Special Agent in Charge Mertz. "Our adversaries routinely target sensitive research and development data and intellectual property from universities, government agencies, manufacturers, and defense contractors. While the thefts associated with economic espionage and illegal technology transfers may not capture the same level of attention as a terrorist incident, the costs to the U.S. economy and our national security are substantial. Violations of the Arms Export Control Act put our nation at risk and the FBI, along with all of our federal agency partners, are committed to ensuring that embargoed technologies do not fall into the wrong hands."

Those who violate these laws should expect to be held accountable. An important part of the FBI's strategy in this area involves the development of strategic partnerships. In that regard, the FBI looks forward to future coordination with UTC and its subsidiaries to strengthen information sharing and counterintelligence awareness."

"Protecting national security is our top priority," said Assistant Secretary of Commerce for Export Enforcement Mills. "Today's action sends a clear signal that federal law enforcement agencies will work together diligently to prevent U.S. technology from falling into the wrong hands."

## President Signs Export-Import Reauthorization Bill

President Barack Obama signed into law HR-2072, the "Export-Import Bank Reauthorization Act of 2012," which reauthorizes Export-Import Bank activities, increases the Bank's exposure cap, and makes other modifications to the Bank's authorities. According to the White House fact sheet, the legislation will allow the Export-Import Bank to continue financing U.S. exports to meet global competition. In addition to the reauthorization, the bill extends its lending limits and requires negotiations and several export studies

White House press release:

<http://www.whitehouse.gov/the-press-office/2012/05/30/statement-press-secretary-hr-2072>

## Census Posts Trade Term of the Month Guide

The Census Bureau posted a brief educational guide, as part of its monthly series "Trade Term of the Month".

\*Internal Transaction Number (ITN) – the ITN confirms that the Electronic Export Information (EEI) reported in the Automated Export System (AES) has been accepted. The guide includes an explanation of where the ITN is required, as well as exceptions to inclusion of the ITN.

Census guide:

<http://globalreach.blogs.census.gov/2012/05/30/itn-trade-term-of-the-month/>

## ITA Issues FR Notice on Consideration of Revoking Honey and ReBar AD/CVD Orders in July

The International Trade Administration (ITA) is giving advance notice that it and the International Trade Commission (ITC) will consider revoking certain antidumping and countervailing (AD/CV) duty orders in their automatic five year sunset reviews, which are scheduled to be initiated in July 2012. The ITA and ITC will consider revoking the following AD/CV orders:

### **AD Proceedings**

- \*Honey from Argentina (A-357-812)
- \*Steel Concrete Reinforcing Bars from Belarus (A-822-804)
- \*Honey from China (A-570-863)
- \*Steel Concrete Reinforcing Bars from China (A-570-860)
- \*Steel Concrete Reinforcing Bars from Indonesia (A-560-811)
- \*Steel Concrete Reinforcing Bars from Latvia (A-499-804)
- \*Steel Concrete Reinforcing Bars from Moldova (A-841-804)
- \*Steel Concrete Reinforcing Bars from Poland (A-455-803)
- \*Steel Concrete Reinforcing Bars from Ukraine (A-823-809)

### **CV Proceedings**

- \*Honey from Argentina (C-357-813)

ITA advises advance notice is given as automatic sunset reviews have short deadlines, with some as short as ten days after the date of initiation. An order will be revoked unless the ITA finds that revocation would lead to a continuation or recurrence of dumping and the ITC finds that revocation would result in continuation or recurrence of material injury to a U.S. industry. As a result, a negative determination by either the ITA or the ITC would result in the revocation of the order. An official notice of the automatic initiation of these sunset reviews will be published in July 2012.

ITA FR Notice: <http://www.gpo.gov/fdsys/pkg/FR-2012-06-01/pdf/2012-13383.pdf>

## ITA Issues FR Notice on Trade Mission to South Africa and Zambia Covering Many Areas of Trade

The International Trade Administration (ITA) announced a Trade Mission to South Africa and Zambia schedule for November 2012, to help U.S. firms find business partners and sell equipment and services in Johannesburg and Cape Town, South Africa, and Lusaka, Zambia. Targeted sectors include electric power and energy efficiency technologies, equipment and services; productivity enhancing agricultural technologies and equipment; transportation equipment and infrastructure; and mining equipment and technology.

As posted, recruitment for the mission will begin immediately, and conclude 10/05/12. Commerce will review applications and make selection decisions on a rolling basis beginning, until the maximum of 20 participants is selected.

ITA FR notice:

<http://www.gpo.gov/fdsys/pkg/FR-2012-05-29/pdf/2012-12974.pdf>



**Ports of Los Angeles/Long Beach International Longshore Warehouse Union Clerical Workers Broke Off Contract Talks - Could Close Ports**

According to recent press releases, Contract negotiations between office clerical workers and waterfront employers in Southern California broke off after only two days of talks, opening up at least a theoretical possibility of picketing and job actions at the ports of Los Angeles and Long Beach (LA/LB). Reports of some terminal operators were making arrangements for possible picketing by members of the Office Clerical Unit (OCU) of International Longshore and Warehouse Union Local 63. If the OCU does picket, the impact on cargo-handling at the nation's largest port complex would be very damaging if ILWU dockworkers refuse to cross the lines. The coast arbitrator who handles contract issues involving the ILWU dockworkers and their employers, the Pacific Maritime Association (PMA), ruled that dockworkers could honor OCU picket lines without violating the waterfront contract.

Experts speculate a job action at the nation's largest port complex would throw retailers and other shippers into a tizzy as the peak shipping season approaches. Ports on all coasts could be caught in a cross-fire as the International Longshoremen's Association (ILA), which represents dockworkers at East and Gulf Coast ports, is involved in negotiations. The ILA current contract expires 09/30/12. The office clerical workers in Southern California process transportation documents and perform other clerical work for terminal operators and ocean carriers. They have been working without a contract for two years. The OCU's biggest concern involves the use of computers to transfer traditional union jurisdiction to workers in other states or other countries.

[www.joc.com](http://www.joc.com) (5/31/12)

**IATA to Require Time/Temperature Sensitive Labels for Healthcare Shipments -Effective July 1, 2012-**

The International Air Transport Association (IATA) has announced that the use of the IATA Time and Temperature Sensitive label will become mandatory for the transportation of healthcare cargo shipments on 07/01/12. The decision resulted from a recommendation supported by the Time and Temperature Task Force and Working Group members and endorsed by the IATA Live Animals and Perishables Board.

IATA advises, the Time and Temperature Sensitive label is a shipment label, specific to the healthcare industry that must be affixed to all shipments booked as time and temperature sensitive cargo. It's the responsibility of the shipper or designated shipper's agent to ensure the label is applied properly.

IATA notice:  
<http://www.iata.org/whatwedo/cargo/Documents/time-and-temperature-label-industry-communication.pdf>

America is a country that doesn't know where it is going but is determined to set a speed record getting there.

**Laurence J. Peter (1919 - 1988)**

## TSA Issues Notice on Agreement with EU and Canada on Screening Airline Cargo

The Transportation Security Administration (TSA) recently announced significantly reduced air cargo security screening procedure agreements with Canada, the European Union and Switzerland. According to TSA, these agreements clear the way for improved information sharing, stronger security, and more efficient transportation of cargo between the U.S. and those countries. Under the agreements, effective 06/01/12, TSA and Canada, the European Union and Switzerland will mutually recognize their respective air cargo security regimes. As a result, private industry can move cargo through the 27 EU member countries, the U.S., Canada and Switzerland, while following a single set of security rules.

Through TSA's National Cargo Security Program (NCSP) recognition process, the agency analyzes the air cargo programs of its international counterparts, and determines if they are comparable to what is required in the U.S. In addition, harmonized air cargo screening allows industry to follow a single program when transporting cargo between nations. As reported, Canada and the U.S. have agreed to the mutual recognition of; and cooperation on, air cargo security in both countries. That means cargo shipped on passenger aircraft will now be screened only once for transportation security reasons, at the point of origin and will not need to be re-screened prior to upload on an aircraft in the other country, reducing delays and economic costs caused by both countries screening the same cargo twice.

Canada and the U.S. also are working together to strengthen co-ordination, co-operation and timely decision-making at the border for cargo shipped by sea or land with a view to increasing two-way trade, and reducing travel and commercial disruptions. When the Action Plan is fully implemented, the principle of "screened once, accepted twice" is intended to apply to all modes of shipping cargo. The agreement with the EU and Switzerland "will ease the burden on industry and allow for the free movement of goods and commerce between our nations," noted TSA Administrator John Pistole. "It will also strengthen security by ensuring that we share information and work together towards our common interests."

*(Continued above)*

Air cargo traffic between the EU and the U.S. amounts to over a million tons a year traveling each way across the Atlantic, which is over 20% of all outbound air cargo from the EU (2010 figures). Under the agreement, air carriers transporting cargo from EU airports to the U.S. no longer need to apply different measures, but need to implement in full the EU legal requirements which lay down obligations on the screening of consignments and on a regulated secure supply chain. Both sides also agreed to exchange information on the evolution and the implementation of each other's security regimes, including participation in inspections, in order to ensure continued and full compliance by air cargo operators.

The EU also agreed to recognize the U.S. cargo security regime as meeting the recently adopted EU requirements for cargo being flown into the EU from third countries. Therefore, no additional measures are required from air carriers transporting cargo shipments from the U.S. to the EU.

US-EU agreement details:

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/400&format=HTML&aged=0&language=EN&guiLanguage=en>

The International Air Transport Association (IATA) applauded the U.S.-EU agreement, saying it "will avoid redundancies and allocate screening resources most effectively." IATA Director General Tony Tyler noted "the US-EU Cargo Security Agreement marks a major step forward in one of the most important air cargo markets."

TSA notice:

<http://www.tsa.gov/press/releases/2012/0601.shtm>





## UN Trade Agency Still Showing Little Progress in Lowering of Trade Barriers

The seven months since the G-20 leaders agreed in Cannes to eliminate trade restrictions "have not witnessed any slowdown in the imposition of new trade restrictions," according to a joint report on trade and investment restrictions released by the World Trade Organization, the OECD and the U.N. Conference on Trade & Development. The report commented the government support to selected sectors also is distorting competition and restricting trade: "G-20 governments should resist any further deterioration in their collective trade policy stance and rely on open markets and the benefits of freer trade to help reboot growth in the world economy."

WTO, OECD and UNCTAD noted the multilateral trading and investment system "needs to continue acting as an insurance policy against protectionism." It said the upcoming G-20 Summit in Los Cabos should "send a strong and clear signal about the need to keep markets open, resist protectionism, and preserve and strengthen the global trading and investment system."

UNCTAD report:  
[http://unctad.org/en/PublicationsLibrary/unctad\\_oecd2012d7\\_en.pdf](http://unctad.org/en/PublicationsLibrary/unctad_oecd2012d7_en.pdf)

## PHMSA Posts Booklet on Handling HazMat Transportation Incidents

The Pipeline and Hazardous Materials Safety Administration (PHMSA) published a 392-page booklet on how to handle hazardous materials transportation incidents. The book was published jointly with Transport Canada and Mexico's Secretariat of Transportation and Communications.

The guidebook is to give first responders a newly revised go-to manual to help deal with hazmat accidents during the critical first 30 minutes. PHMSA plans to distribute more than two million copies of the guidebook to firefighters, emergency medical technicians and law enforcement officers, who will use it to identify specific risks associated with compromised hazmat items, measures they should take to protect themselves and procedures for containing the incident as quickly and safely as possible.

PHMSA guide:  
<http://www.phmsa.dot.gov/staticfiles//PHMSA/DownloadableFiles/Files/Hazmat/ERG2012.pdf>

## Treasury Posts Report to Congress on Currency Issues

### -China Not Listed as Currency Manipulator-

The Treasury Department issued its semiannual "Report to Congress on International Economic and Exchange Rate Policies," which reports, that China is not manipulating its currency, but the appreciation of the renminbi (RMB, or yuan) to date is insufficient. Treasury reported it will closely monitor the pace of the RMB's appreciation and press China for policy changes that yield more exchange rate flexibility, a level playing field, and a sustained shift to domestic demand-led growth.

The report listed that after Chinese authorities decided in June 2010 to allow the exchange rate to appreciate in response to market forces, the renminbi has appreciated by a total of 8% against the dollar. Taking into account the higher rate of domestic inflation in China than the U.S., the RMB has appreciated against the dollar on a real, inflation-adjusted basis of 12.5% since June 2010, and about 40% since China first initiated currency reform in 2005. In 2012, through May 15, the RMB has been virtually flat against the dollar; depreciating by 0.36%, according to Treasury.

Treasury's press release (05/25/12)  
<http://www.treasury.gov/press-center/press-releases/Pages/tg1594.aspx>

Treasury report  
<http://www.treasury.gov/resource-center/international/exchange-rate-policies/Documents/Foreign%20Exchange%20Report%20May%202012.pdf>

## WTO Posts Information on China's Challenge to Certain U.S. CV Duty Cases

China is challenging several aspects of U.S. countervailing (CV) duty proceedings before the World Trade Organization. According to details of the recent Chinese request for consultations released by the WTO, China is challenging determinations of state ownership and control, treatment of Chinese export restraints as subsidies, and application of Adverse Facts Available (AFA). According to the complaint, the U.S. application of CV duties to countervail "less than adequate remuneration" subsidy programs (the provision of inputs or land to investigated companies by the state at a reduced price) was flawed, in part because the U.S. improperly determined that such subsidies (with respect to inputs) were provided by (state-owned enterprises) SOEs acting as "public bodies".

China noted the International Trade Administration (ITA) improperly initiated CV duty investigations into allegations of export restraints allegedly maintained by China, because the ITA improperly determined that export restraints provided a "financial contribution". Additionally, China commented that the ITA resorted to facts available, and used facts available, including adverse facts available, in manners that were inconsistent with U.S. WTO obligations. According to the complaint, China specifically challenges 22 ITA CV determinations. (Details posted)

WTO press release:

[http://www.wto.org/english/news\\_e/news12\\_e/ds437rf\\_c\\_25may12\\_e.htm](http://www.wto.org/english/news_e/news12_e/ds437rf_c_25may12_e.htm)



## Senator Pushes for Comprehensive Multimodal National Freight Transportation Plan

Senator Maria Cantwell has urged the Department of Transportation (DOT) to create a multimodal national freight transportation plan, an initiative DOT Secretary Ray LaHood pledged to take on shortly after taking office. The letter from the Democratic senator comes as major transportation groups urge Congress to order the DOT to create a plan that would help shippers more efficiently import and export.

Shortly after taking office in 2009, LaHood announced creating a national freight plan was a priority, and a working draft of such a plan was even temporarily available on the DOT Web site. "The development of freight policy, funding proposals and project plans, and the oversight of freight investments must all be done on a mode-neutral basis with careful attention to both public and private sector interests," reported Mortimer Downey, former DOT deputy secretary and chairman of the Coalition for America's Gateways and Trade Corridors (CAGTC).

As reported, the Senate's two-year, \$109 billion surface transportation bill has language requiring the DOT to designate a freight network of the most crucial 30,000 miles of roadway. Although rail and waterway lanes would be considered, the focus would be on highways. Through the Senate plan, the DOT would get about \$2 billion for each of the two years to spend on road building, including on arteries connected to the designated network, environmental mitigation, and railway and highway construction. Up to 10 percent of the financing, which would be drawn from state formulated funding, could be used toward freight rail and maritime projects.

Transportation groups, including CAGTC, hope the inclusion of such language in the final surface transportation bill will set the states up for a more expansive national freight plan.

[www.joc.com](http://www.joc.com) (05/31/12)

## CBP and CPSC Seize China Origin Children's Shoes with High Lead Level

U.S. Customs and Border Protection (CBP) officers and Consumer Product Safety Commission (CPSC) investigators seized a shipment of children's shoes for containing three times the legal limit of lead. The shipment originated in China, and was destined to a distributor in the Seattle area. The shoes are valued at more than \$23,000, reported CBP. The shipment was targeted by CBP for an intensive examination, in which samples were taken from the shipment. The samples were tested by CPSC, and were found to contain unacceptable levels of lead in violation of the Federal Hazardous Substances Act.

CBP notice:

[http://www.cbp.gov/xp/cgov/newsroom/news\\_releases/local/06062012\\_2.xml](http://www.cbp.gov/xp/cgov/newsroom/news_releases/local/06062012_2.xml)

## BIS and State Department Issue Proposed Rules to Revise USML Cat X and CCL

The State Department recently issued a proposed rule to revise U.S. Munitions List (USML) Category X (personal protective equipment and shelters) to describe more precisely the materials warranting control on the USML. At the same time, the Bureau of Industry and Security (BIS) proposed the creation of five new 600 series Export Control Classification Numbers (ECCNs) to control personal protective equipment, shelters, and related items the President determines no longer warrant control under Category X of the USML.

The State Department is also not proposing any tiering at this time, and is still developing its definition of "Specially Designed." Complete details are posted for review & comment. Written comments on both proposed rules are due by 07/23/12.

State proposed rule (FR Pub 06/07/12)  
<http://www.gpo.gov/fdsys/pkg/FR-2012-06-07/pdf/2012-13744.pdf>

BIS proposed rule (FR Pub 06/07/12)  
<http://www.gpo.gov/fdsys/pkg/FR-2012-06-07/pdf/2012-13745.pdf>

## BIS Announces Proposal for More Changes to USML-CCL Rules

Proposed revisions to the remaining U.S. Munitions List (USML) categories will be published in the next several months, reported Eric Hirschhorn, Under Secretary of the Bureau of Industry and Security (BIS). Hirschhorn also noted the Obama administration is briefing members of Congress on the Defense and State Departments' satellite report in the hope that it will pass legislation allowing satellite controls to be treated like other export control categories.

Hirschhorn's remarks were released by BIS on 06/01/12:

<http://beta-www.bis.doc.gov/index.php/about-bis/newsroom/9-bis/carousel/367-claude-france-arnould-met-with-eric-hirschhorn>

## Mexico Requiring Electronic Customs Clearance

Paperless electronic customs clearance in Mexico became mandatory on 06/01/12 through the Mexican Single Window for Foreign Trade (Ventanilla Unica de Comercio Exterior Mexicana, or VUCEM), announced Mexico's Secretary of Economy. Specifically, 06/01/12 marked the beginning of the second phase of implementation, which requires importers to file electronic value documents (Comprobante de Valor Electronico) to verify the value of goods, as well as digital supporting documents for entry forms, in all Mexican ports.

According to the Secretary of Economy, the Mexican Tax Administration and the Interagency Commission for the single window monitored the release of the tool constantly, and since release over 420,000 value vouchers and 200,000 digital documents have been filed. The single window became operational in September 2011, and its first customs clearance was completed in January 2012.

Mexican single window website (in English)  
<https://www.ventanillaunica.gob.mx/envucem/index.htm>

Mexico's Secretary of Economy notice:  
<http://www.economia.gob.mx/eventos-noticias/informacion-relevante/7871-boletin132-12>

## EU Posts Information on C-TPAT and AEO Agreement

In the recent edition of the Official Journal of the European Union, the following trade-related notice was posted:

\* Decision of the U.S.-EU Joint Customs Cooperation Committee regarding mutual recognition of the Customs-Trade Partnership Against Terrorism (C-TPAT) program in the U.S. and the Authorized Economic Operators (AEO) program of the EU. Information exchanges will take place between the Customs authorities in order to encourage EU-U.S. trade.

EU notice: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:144:0044:0047:EN:PDF>

## Census Posts Trade Figures for April 2012 -Imports and Exports Down-

The U.S. International Trade in Goods and Services Report was recently released by the Census Bureau and the Bureau of Economic Analysis. The report showed that, as compared to March 2012 levels, exports were down \$1.5 billion to \$182.9 billion, and imports were down \$4.1 billion to \$233 billion. As compared to April 2011 totals, exports increased by 4.1% and imports by 6.3%. The U.S. trade deficit with China increased to \$24.6 billion in April 2012, from \$21.7 billion in March.

Commerce Secretary Bryson provided a statement on the report:  
<http://www.commerce.gov/news/press-releases/2012/06/08/statement-us-commerce-secretary-john-bryson-us-international-trade-go>

ITA fact sheet <http://www.trade.gov/press/press-releases/2012/export-factsheet-june2012-060812.pdf>

Census press release:  
[http://www.census.gov/foreign-trade/Press-Release/current\\_press\\_release/ft900.pdf](http://www.census.gov/foreign-trade/Press-Release/current_press_release/ft900.pdf)

## House Subcommittee Approves SMART Port Security Act - Includes 100% Scanning Overseas

On June 6<sup>th</sup>, the House Homeland Security Committee approved in a voice vote HR-4251, the Securing Maritime Activities through Risk-based Targeting (SMART) for Port Security Act. The legislation is meant to authorize, enhance, and reform port security programs through increased efficiency and risk-based coordination within the Department of Homeland Security. House Homeland Security Committee Chairman Peter King (R-N.Y.) commented in an opening statement the bill would increase cooperation and coordination between agencies responsible for securing U.S. maritime borders. The bill also enhances supply chain security efforts, such as Customs – Trade Partnership Against Terrorism (C-TPAT), and would ensure DHS funds are prioritized where they will be most effective. Specifically, HR-4251, as amended:

\*Reduces redundancies by allowing DHS to recognize other countries' Trusted Shipper Programs, in addition to allowing the U.S. Coast Guard (USCG) to recognize other governments' or organizations' port security threat assessments;

\*Requires DHS to update the Maritime Operations Coordination Plan to enhance interagency cooperation;

\*Seeks to improve efficiency and save taxpayer dollars by commissioning a report to study possible cost savings by having the USCG and CBP share facilities, as well as requiring CBP to use standard practices and risk-based assessments when deploying assets;

\*Institutes changes to the Transportation Worker Identification Credentials (TWIC) program to prompt DHS to install readers, improve efficiency for enrollees, and prevent unauthorized use.

Text of HR-4251  
<http://www.gpo.gov/fdsys/pkg/BILLS-112hr4251ih/pdf/BILLS-112hr4251ih.pdf>

House Subcommittee notice:  
<http://homeland.house.gov/markup/full-markup-hr-4251and-3rd-quarter-activity-report>

## WTO Concerned About U.S. Trade Agenda

According to World Bank President Robert Zoellick, the U.S. "is no longer leading the open trade agenda, as it relies increasingly on defensive measures." He urged other countries, particularly in the Americas, to be open to trade, but said "it takes two to tango, and this agenda requires changes on the part of the United States, too." Zoellick continued to report that the U.S. "has its own high costs of trade, antiquated ports, and laws to protect special interests. The United States should work with its current free trade partners in the Americas to deepen ties of development, reform, and investment. In addition, the United States needs to make its hemispheric FTA network dynamic, linked to business and investment policies, and improved governance."

Imports supplied 70 percent of U.S. oil demand in 2008, Zoellick noted, but by 2020 imports could be down to 40 percent of U.S. oil demand -- or even 20 percent if Canadian oil is counted as part of the home market. He said if natural gas for Canada and the U.S. is added, U.S. net energy imports from the rest of the world could drop to 5 percent of U.S. demand: "That's an amazing game-changer in energy." There is a need to connect the energy supplies through infrastructure with countries in Central America and the Caribbean that have suffered from high prices and limited access, Zoellick commented: "It's long past time for a hemispheric energy policy, blending consideration of inclusive growth, the environment, and indigenous communities' interests."

<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:23214755~pagePK:34370~piPK:42770~theSitePK:4607,00.html>

## CPSC Issues FR Notice for June 29, 2012 Teleconference on Phthalates

The Consumer Product Safety Commission (CPSC) scheduled a teleconference and the seventh meeting of the Chronic Hazard Advisory Panel ("CHAP") on phthalates and phthalate substitutes; scheduled for 1 p.m. on 09/29/12. CHAP is to study the effects on children's health of all phthalates and phthalate alternatives, as used in children's toys and child care articles. In the teleconference, the CHAP will discuss its progress toward completing its analysis of potential risks from phthalates and phthalate substitutes.

CPSC contact: Michael Babich, 301-504-7253 or [mbabich@cpsc.gov](mailto:mbabich@cpsc.gov)

CPSC FR Notice  
[http://www.ofr.gov/OFRUpload/OFRData/2012-13934\\_PI.pdf](http://www.ofr.gov/OFRUpload/OFRData/2012-13934_PI.pdf)

## Upcoming Seminars/Webinars

### Seminar/Workshop: Automated Export System

**Venue:** Philadelphia, PA

**Date:** June 19-20, 2012

**Learn more/register:**

<http://export.gov/pennsylvania/philadelphia/aesseminar/index.asp>

The Census Bureau requires mandatory filing of export information through the Automated Export System (AES) or through the AESDirect for all shipments where a Shipper's Export Declaration was previously required. The Foreign Trade Division is actively engaged in educational outreach to assist you in avoiding these costly penalties. The AES seminar and workshop help you understand the FTR requirements. The U.S. Commercial Service, Philadelphia, is partnering with the U.S. Census Bureau and Temple University's Fox School of Business to bring you a much-needed educational program on how to stay in compliance and navigate the AES systems.

For more information, please contact [Leandro.Solorzano@trade.gov](mailto:Leandro.Solorzano@trade.gov) or telephone 215-597-6101

### Webinar: Economic Espionage: Safeguarding Proprietary Information for Small Businesses

**Venue:** Your Computer

**Date/Time:** June 27, 2012; 10:00 am - 11:00 am

This webinar is a cooperative presentation by: Federal Bureau of Investigation, U. S. Department of Commerce and U. S. Small Business Administration. The topics to be covered: Illegal Acts by Foreign Competitors, The Inside Threat, Corrupt or Disgruntled Employees, Theft of Trade Secrets, Risks and Mitigation, and Protecting Intellectual Property While Traveling Abroad.

For more information, please contact Gary Alexander, Business Opportunity Specialist, telephone: 314-539-6600 extension 231, email: [gary.alexander@sba.gov](mailto:gary.alexander@sba.gov)

## ING Bank N.V. Agrees to Forfeit \$619 Million for Illegal Transactions with Cuban and Iranian Entities

WASHINGTON – ING Bank N.V., a financial institution headquartered in Amsterdam, has agreed to forfeit \$619 million to the Justice Department and the New York County District Attorney’s Office for conspiring to violate the International Emergency Economic Powers Act (IEEPA) and the Trading with the Enemy Act (TWEA) and for violating New York state laws by illegally moving billions of dollars through the U.S. financial system on behalf of sanctioned Cuban and Iranian entities. The bank has also entered into a parallel settlement agreement with the Treasury Department’s Office of Foreign Assets Control (OFAC).

The announcement was made by Lisa Monaco, Assistant Attorney General for National Security; Ronald C. Machen, U.S. Attorney for the District of Columbia; Assistant Attorney General Lanny A. Breuer of the Criminal Division; District Attorney Cyrus R. Vance Jr., of the New York County District Attorney’s Office; James W. McJunkin, Assistant Director in Charge of the FBI Washington Field Office; Richard Weber, Chief, Internal Revenue Service (IRS) Criminal Investigation; and Adam J. Szubin, Director of the Office of Foreign Assets Control.

A criminal information was filed today in federal court in the District of Columbia charging ING Bank N.V. with one count of knowingly and willfully conspiring to violate the IEEPA and TWEA. ING Bank waived the federal indictment, agreed to the filing of the information and has accepted responsibility for its criminal conduct and that of its employees. ING Bank agreed to forfeit \$619 million as part of the deferred prosecution agreements reached with the Justice Department and the New York County District Attorney’s Office.

According to court documents, starting in the early 1990s and continuing until 2007, ING Bank violated U.S. and New York state laws by moving more than \$2 billion illegally through the U.S. financial system – via more than 20,000 transactions – on behalf of Cuban and Iranian entities subject to U.S. economic sanctions.

*(Continued above)*

ING Bank knowingly and willfully engaged in this criminal conduct, which caused unaffiliated U.S. financial institutions to process transactions that otherwise should have been rejected, blocked or stopped for investigation under regulations by OFAC relating to transactions involving sanctioned countries and parties. “The fine announced today is the largest ever against a bank in connection with an investigation into U.S. sanctions violations and related offenses and underscores the national security implications of ING Bank’s criminal conduct. For more than a decade, ING Bank helped provide state sponsors of terror and other sanctioned entities with access to the U.S. financial system, allowing them to move billions of dollars through U.S. banks for illicit purchases and other activities,” said Assistant Attorney General Monaco. “I applaud the agents, analysts and prosecutors who for years pursued this case.”

“Banks that try to skirt U.S. sanctions laws undermine the integrity of our financial system and threaten our national security,” said U.S. Attorney Machen. “When banks place their loyalty to sanctioned clients above their obligation to follow the law, we will hold them accountable. On more than 20,000 occasions, ING intentionally manipulated financial and trade transactions to remove references to Iran, Cuba and other sanctioned countries and entities. Today’s \$619 million forfeiture – the largest ever – holds ING accountable for its wrongdoing.”

“For years, ING Bank blatantly violated U.S. laws governing transactions involving Cuba and Iran, and then used shell companies and other deceptive measures to cover up its criminal conduct,” said Assistant Attorney General Breuer. “Today’s resolution reflects a strong collaboration among federal and state law enforcement partners to hold ING accountable.”

“Investigations of financial institutions, businesses and individuals who violate U.S. sanctions by misusing banks in New York are vitally important to national security and the integrity of our banking system,” said New York County District Attorney Vance. “These cases give teeth to sanctions enforcement, send a strong message about the need for transparency in international banking and ultimately contribute to the fight against money laundering and terror financing. I thank our federal partners for their cooperation and assistance in pursuing this investigation.”

*(Continued below)*

"Today, ING Bank was held accountable for their illegal actions involving the movement of more than \$2 billion through the U.S. financial system on behalf of Cuban and Iranian entities subject to U.S. economic sanctions," said FBI Assistant Director in Charge McJunkin. "Investigations of this type are complicated and demand significant time and dedication from agents, analysts and prosecutors. In this case, their steadfast tenacity brought this case through to today's result, and we will continue to pursue these matters in diligent fashion."

"In today's environment of increasingly sophisticated financial markets, it's critical that global institutions follow U.S. law, including sanctions against other countries," said IRS Criminal Investigation Chief Weber. "The IRS is proud to share its world-renowned financial investigative expertise in this and other complex financial investigations. Creating new strategies and models of cooperation among our law enforcement partners to ensure international financial compliance is a top-priority of the IRS."

"Our sanctions laws reflect core U.S. national security and foreign policy interests and OFAC polices them aggressively. Today's historic settlement should serve as a clear warning to anyone who would consider profiting by evading U.S. sanctions," said OFAC Director Szubin. "We commend our federal and state colleagues for their work on this important investigation."

### **The Scheme**

According to court documents, ING Bank committed its criminal conduct by, among other things, processing payments for ING Bank's Cuban banking operations through its branch in Curaçao on behalf of Cuban customers without reference to the payments' origin, and by providing U.S. dollar trade finance services to sanctioned entities through misleading payment messages, shell companies and the misuse of ING Bank's internal suspense account.

Furthermore, ING Bank eliminated payment data that would have revealed the involvement of sanctioned countries and entities, including Cuba and Iran; advised sanctioned clients on how to conceal their involvement in U.S. dollar transactions;

*(Continued above)*

fabricated ING Bank endorsement stamps for two Cuban banks to fraudulently process U.S. dollar travelers' checks; and threatened to punish certain employees if they failed to take specified steps to remove references to sanctioned entities in payment messages.

According to court documents, this conduct occurred in various business units in ING Bank's wholesale banking division and in locations around the world with the knowledge, approval and encouragement of senior corporate managers and legal and compliance departments. Over the years, several ING Bank employees raised concerns to management about the bank's sanctions violations. However, no action was taken.

For decades, the United States has employed sanctions and embargoes on Iran and Cuba. Financial transactions conducted by wire on behalf of Iranian or Cuban financial institutions have been subject to these U.S. sanctions. The TWEA prohibits U.S. persons from engaging in financial transactions involving or benefiting Cuba or Cuban nationals and prohibits attempts to evade or avoid these restrictions. IEEPA makes it a crime to willfully attempt to commit, conspire to commit, or aid and abet in the commission of any violations of the Iranian Transaction Regulations, which prohibit the exportation of any services from the United States to Iran and any attempts to evade or avoid these restrictions. IEEPA and TWEA regulations are administered by OFAC.

### **The Investigation**

The Justice Department's investigation into ING Bank arose out of ongoing investigations into the illegal export of goods from the United States to sanctioned countries, including Iran. For instance, ING processed payments on behalf of one customer, Aviation Services International B.V. (ASI), a Dutch aviation company which was the subject of a U.S. Commerce Department-initiated criminal investigation, through the United States for trade services relating to the procurement by ASI of dual-use U.S. aviation parts for ASI's Iranian clients. The ING Bank investigation also resulted in part from a criminal referral from OFAC, which was conducting its own probe of ING Bank.

*(Continued below)*

ING Bank's forfeiture of \$309.5 million to the United States and \$309.5 million to the New York County District Attorney's Office will settle forfeiture claims by the Department of Justice and the state of New York. In light of the bank's remedial actions to date and its willingness to acknowledge responsibility for its actions, the Department will recommend the dismissal of the information in 18 months, provided ING Bank fully cooperates with, and abides by, the terms of the deferred prosecution agreement.

OFAC's settlement agreement with ING deems the bank's obligations to pay a civil settlement amount of \$619 million to be satisfied by its payment of an equal amount to the Justice Department and the state of New York. OFAC's settlement agreement further requires the bank to conduct a review of its policies and procedures and their implementation, taking a risk-based sampling of U.S. dollar payments, to ensure that its OFAC compliance program is functioning effectively to detect, correct and report apparent sanctions violations to OFAC.

The case was prosecuted by Trial Attorney Jonathan C. Poling of the Justice Department's National Security Division; Assistant U.S. Attorneys Ann H. Petalas and George P. Varghese, of the National Security Section of the U.S. Attorney's Office for the District of Columbia; and Trial Attorney Matthew Klecka of the Criminal Division's Asset Forfeiture and Money Laundering Section.

The case was investigated by the FBI's Washington Field Office and the IRS-Criminal Investigation's Washington Field Division, with assistance from the Treasury Department's OFAC and the Commerce Department's Bureau of Industry and Security.

The Department of Justice expressed its gratitude to Executive Assistant District Attorney, Chief of Investigation Division Adam Kaufmann; and Assistant District Attorneys Sally Pritchard and Garrett Lynch of the New York County District Attorney's Office, Major Economic Crimes Bureau.

Please visit <http://www.bis.doc.gov/index.htm> or <http://beta-www.bis.doc.gov/index.php/about-bis/newsroom> on our BETA site for more information.

You can unsubscribe by clicking this [URL](#) This email was sent at your request, based upon your subscription to the BIS Email Notification service.

The BIS Web Site Team

## DDTC Posts Information on New Version of DTrade

The State Department Directorate of Defense Trade Controls (DDTC) announced that DTrade has been upgraded to version 2.4.2 to improve DT2e performance, enforce submission policy, and improve the clarity of industry submission notification. Some changes are technical changes that will be transparent to DT2e end users. DDTC advised users can continue to use the "Track Status" option to track the status of their cases. Status history can be obtained for up to 3 months by requesting a specific date range. Users will no longer be able to use the "DTCDownloadServlet" to obtain a history of case statuses.

According to DDTC, DT2 now automatically enforces the prohibition against submitting files larger than 35 MB. If files exceed the limit, users will receive a message advising them that their case has been rejected. Once a case has been submitted, users will receive an updated receipt message confirming that their case has been submitted and reminding them to use the DTrade "Track Status" option 24 hours after submission to make sure the case was validated and properly received internally by DDTC.

DTRADE Help Desk 202-663-2838 or [dtrahelpdesk@state.gov](mailto:dtrahelpdesk@state.gov)

DDTC notice:  
[http://www.pmdtcc.state.gov/DTRADE/documents/ERN\\_DT2e\\_v242.pdf](http://www.pmdtcc.state.gov/DTRADE/documents/ERN_DT2e_v242.pdf)

## CBP Posts April 2012 Broker Test and Answer Key

U.S. Customs and Border Protection (CBP) issued the following releases on commercial trade and related issues:

\*April 2012 CBP Exam: CBP appears to have taken down the exam but this is where it should be when they post it again:  
[http://www.cbp.gov/linkhandler/cgov/trade/trade\\_programs/broker/broker\\_exam/exam\\_and\\_key\\_downloads/april2012\\_exam.ctt/april\\_exam.pdf](http://www.cbp.gov/linkhandler/cgov/trade/trade_programs/broker/broker_exam/exam_and_key_downloads/april2012_exam.ctt/april_exam.pdf), and

\*CBP exam answer key:  
[http://www.cbp.gov/linkhandler/cgov/trade/trade\\_programs/broker/broker\\_exam/exam\\_and\\_key\\_downloads/april2012\\_key.ctt/april\\_key.pdf](http://www.cbp.gov/linkhandler/cgov/trade/trade_programs/broker/broker_exam/exam_and_key_downloads/april2012_key.ctt/april_key.pdf)