



# EIB World Trade Headlines

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## President Trump Ceases to Participate in Iran Deal

On May 8, 2018, the President announced his decision to cease the United States' participation in the Joint Comprehensive Plan of Action (JCPOA), and to begin re-imposing the U.S. nuclear-related sanctions that were lifted to effectuate the JCPOA sanctions relief, following a wind-down period. In conjunction with this announcement, the President issued a National Security Presidential Memorandum (NSPM) directing the U.S. Department of the Treasury and other Departments and Agencies to take the actions necessary to implement his decision.

Consistent with the President's guidance, Departments and Agencies will begin the process of implementing 90-day and 180-day wind-down periods for activities involving Iran that were consistent with the U.S. sanctions relief specified in the JCPOA. To effectuate the wind-down periods, today the State Department issued the necessary statutory sanctions waivers to provide for a wind-down period and plans to take appropriate action to keep such waivers in place for the duration of the relevant wind-down periods. As soon as is administratively feasible, the Department of the Treasury's Office of Foreign Assets Control (OFAC) expects to revoke, or amend, as appropriate, general and specific licenses issued in connection with the JCPOA.

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At that time, OFAC will issue new authorizations to allow the wind down of transactions and activities that were authorized pursuant to the revoked or amended general and specific licenses. At the end of the 90-day and 180-day wind-down periods, the applicable sanctions will come back into full effect. OFAC posted today to its website additional frequently asked questions (FAQs) that provide guidance on the sanctions that are to be re-imposed and the relevant wind-down periods. The U.S. government will continue to make aggressive use of its authorities to target Iran's malign behavior.

## North Korea releases 3 American prisoners in apparent goodwill gesture ahead of a planned summit between Trump and Kim

President Trump said in tweet this morning, "I am pleased to inform you that Secretary of State Mike Pompeo is in the air and on his way back from North Korea with the 3 wonderful gentlemen that everyone is looking so forward to meeting. They seem to be in good health."

The three men, all who had been working in North Korea, had been accused of espionage or "hostile acts" against the regime and were being held as "prisoners of war."

Former Virginia man Kim Dong-chul, who was detained in October 2015, had been sentenced to 10 years in prison on charges of espionage and subversion.

But the other two, accounting professor Tony Kim and agricultural consultant Kim Hak-song, had not been put through the kind of sham trial that always results in a conviction.

The three had not been seen since June last year, when a State Department official was allowed a brief visit with them while collecting Otto Warmbier, the college student who fell into a coma in North Korea and died shortly after his return to the United States.

## EU Votes To "Completely" Ban Bee-Killing Pesticides, But There's A Catch

In an effort to protect both wild and honeybee populations vital to crop pollination, the European Union voted to ban the world's most widely used insecticides. Well, sort of.

The decision, which bans three main types of neonicotinoids (imidacloprid, clothianidin, and thiamethoxam) from outdoor applications, will come into effect by the end of 2018. Here's the catch: The pesticides will still be allowed in permanent greenhouses where "no contact with bees is expected".

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"The protection of bees is an important issue for the Commission since it concerns biodiversity, food production and the environment," according to a statement released today.

Backed by a majority of the 28-member state, the decision goes beyond a 2013 restriction that prohibited the use of these pesticides on certain crops for two years. The EU has one of the strictest regulatory systems in the world when it comes to pesticide approval. A February report by the European Food Safety Authority analyzed more than 1,500 studies to show neonicotinoid pesticides act as nerve agents, damaging memory and reducing queen numbers. Its widespread application poses a risk to both honeybees and wild bees when used in an outdoor setting because it contaminates the soil and water to later appear in wildflowers and other crops the bees pollinate. As much as 75 percent of global honey could contain the chemicals.

"The Commission had proposed these measures months ago, on the basis of the scientific advice from the European Food Safety Authority. Bee health remains of paramount importance for me since it concerns biodiversity, food production and the environment," said Commissioner for Health and Food Safety Vytenis Andriukaitis in a statement.

One in every three bites of food worldwide depends on these little flyers. The ban addresses just one suggested cause behind colony collapse disorder, a mysterious mass disappearance where healthy bees simply abandon their hives never to return again. Other causes include global warming, habitat loss, and parasites, all of which are concerning considering bees pollinate as much as 75 percent of fruits, nuts, and vegetables in the US alone and pollinate around 80 percent of the Earth's 250,000 flowering plants.

More than 5 million people signed a petition urging Europe to "save the bees".

"This is a major victory and opens the way to a new era of more sustainable farming. But we must keep the pressure up – now we're taking the fight to the US, Canada, and the rest of the world," reads the petition.

Bayer Global (who reportedly manufacture imidacloprid) said it was a "sad day for farmers," and the decision was a "bad deal for Europe" and condemned the report for offering inconclusive evidence without offering alternatives.

## Farmington Manufacturer Pleads Guilty to Firearms Violations

The corporation and its owners each pleaded guilty to a misdemeanor charge of failing to maintain firearms records.

By Tim Jensen, Patch Staff | Apr 27, 2018 4:46 FARMINGTON, CT — A firearms manufacturer located in Farmington and two of its principals pleaded guilty Friday in Hartford federal court to violating federal firearms laws.

SAAR Corporation, and its owners, Mariusz Saar 61, of Avon, and Luke Saar, 36, of Farmington, each pleaded guilty to a misdemeanor charge of failing to maintain firearms records. Under the terms of binding plea agreements, if accepted by the court, the parties have agreed that sentences of probation and fines totaling \$150,000 is appropriate in this case. The defendants are scheduled to be sentenced by U.S. Magistrate Judge Robert A. Richardson on July 27, 2018, according to John H. Durham, United States Attorney for the District of Connecticut, and Kenneth Kwak, Acting Special Agent in Charge of the ATF Boston Field Division.

According to court documents and statements made in court, on November 2, 2015, ATF Industry Operations Investigators performed a firearms compliance inspection of SAAR Corporation, located at 81 Spring Lane in Farmington. SAAR Corporation manufactured firearms frames and receivers for other federal firearm licensees who built the frames and receivers obtained from SAAR into fully functioning firearms by adding other components, such as a barrel and trigger. The frame or receiver of a firearm is the part of the firearm that provides housing for the hammer, bolt, or breechblock, and the firing mechanism. Although a stand-alone frame or receiver cannot fire a round, it is deemed a firearm under federal firearm laws, Durham said.

The investigation revealed that SAAR Corporation did not maintain proper Acquisition & Disposition (A&D) records for more than 40,000 frames and receivers it manufactured, Durham said.

Despite the lack of A&D records, the ATF inspection team, with assistance from SAAR Corporation, was eventually able to account for, and ascertain the transfer location of, all of the frames and receivers. In addition, the National Firearms Act (NFA) provides that it is unlawful for any person or entity to possess any NFA-regulated firearm, such as a machine gun, that is not registered to that person or entity, Durham said.

Investigators determined that SAAR Corporation had manufactured, and was knowingly in possession of, three machine guns that were not registered to it in the National Firearms Registration and Transfer Record (NFRTR) maintained by ATF.

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SAAR Corporation failed to register the machine guns in the NFRTR, and failed to maintain records required by the Gun Control Act reflecting SAAR Corporation's manufacture of these firearms. The machine guns were turned over to ATF, Durham said.

"It is vitally important that all firearm manufacturers comply with federal firearms laws and maintain proper records throughout the production and distribution process," Durham said. "These laws exist so that all legal firearms are recorded and can be traced after they are manufactured. Fortunately, thanks to the diligence of ATF investigators, all of the firearm frames and receivers involved in this case are now accounted for. This case clearly demonstrates that gun manufacturers who violate federal laws will face license revocation and criminal prosecution."

"When firearms licensees fail to comply with these federal regulations and laws, they open the door for firearms to wind up on the street in the hands of traffickers and criminals," Kwak said. "Today's guilty pleas and the license revocations demonstrate our commitment to hold firearms licensees accountable when they place public safety at risk."

SAAR Corporation's federal license to manufacture firearms has been revoked, and the company has agreed that it will not reapply at any time in the future for a federal firearms manufacturing license. In addition, Mariusz Saar and Luke Saar agree that they will not challenge SAAR Corporation's revocation in any administrative or civil proceeding, and that they cannot be a "responsible person" on the license of any federal firearms licensee (FFL) in the future, according to Durham.

## Pentagon Bans Sale of Chinese Phones on U.S. Military Bases

The Pentagon is moving to stop the sale of Chinese-made phones from Huawei Technologies Co. and ZTE Corp. in and near U.S. military base stores for "potential security threats" they say the devices could pose. The Wall Street Journal reports officials have said the Chinese government "could order Chinese manufacturers to hack into products they make to spy or disable communications," although Huawei and ZTE have said they would never let that occur. A source told the Journal that the Pentagon is specifically concerned about Beijing tracking U.S. troop whereabouts with the phones. Huawei is the third largest mobile-phone maker in the world, behind Apple and Samsung. ZTE is the fourth largest seller of phones in the U.S. market. The retail stores affected would be in and around military bases, as well as ones overseas that "cater to American soldiers and sailors."

## The Danger of a Hacked Off Iran

Since the nuclear deal was reached in 2015, Iran has generally restricted its hacking to its own neighborhood, Andy Greenberg writes for Wired. But for the past decade, “Iranian state-sponsored hackers have slowly built up their capabilities.” Now that Trump has walked away from the agreement, Tehran’s relative restraint might not last.

“When the US last tightened its sanctions against Iran in 2012, then-president Barack Obama boasted that they were ‘virtually grinding the Iranian economy to a halt.’ Iran fired back with one of the broadest series of cyberattacks ever to target the US, bombarding practically every major American bank with months of intermittent distributed denial of service attacks that pummeled their websites with junk traffic, knocking them offline,” Greenberg writes.

“Three years later, the Obama administration lifted many of those sanctions in exchange for Iran’s promise to halt its nuclear development; Tehran has since mostly restrained its state-sponsored online attacks against Western targets.

“Now, with little more than a word from President Trump, that détente appears to have ended. And with it, the lull in Iranian cyberattacks on the West may be coming to an end, too.”

## Statement by IAEA Director General Yukiya Amano

Wednesday 9 May 2018 10:45 CEST

The IAEA is closely following developments related to the Joint Comprehensive Plan of Action (JCPOA). As requested by the United Nations Security Council and authorised by the IAEA Board of Governors in 2015, the IAEA is verifying and monitoring Iran’s implementation of its nuclear-related commitments under the JCPOA. Iran is subject to the world’s most robust nuclear verification regime under the JCPOA, which is a significant verification gain. As of today, the IAEA can confirm that the nuclear-related commitments are being implemented by Iran.

## Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA)

### 1. GENERAL QUESTIONS

#### 1.1. Effective May 8, 2018, what sanctions snap back into place?

On May 8, 2018, the President announced his decision to cease the United States’ participation in the Joint Comprehensive Plan of Action (JCPOA), and to begin re-imposing, following a wind-down period, the U.S. nuclear-related sanctions that were lifted to effectuate the JCPOA sanctions relief. In conjunction with this announcement, the President issued a National Security Presidential Memorandum (NSPM) directing the Secretary of State and the Secretary of the Treasury to prepare immediately for the re-imposition of all of the U.S. sanctions lifted or waived in connection with the JCPOA, to be accomplished as expeditiously as possible and in no case later than 180 days from the date of the NSPM.

To implement the President’s direction, the Departments of State and of the Treasury will take steps necessary to establish a 90-day and a 180-day wind-down period for activities involving Iran that were consistent with the U.S. sanctions relief provided for under the JCPOA. FAQs 1.2. and 1.3. below set out in further detail which sanctions will be re-imposed in which time frame.

Pursuant to the NSPM, the State Department revoked certain statutory waivers issued to implement the JCPOA sanctions relief, issued the necessary statutory sanctions waivers to provide for a wind-down period, and plans to take appropriate action to keep such waivers in place for the duration of the relevant wind-down periods. Following November 4, 2018, OFAC expects that all the U.S. nuclear-related sanctions that had been lifted under the JCPOA will be re-imposed and in full effect.

Persons engaging in activity undertaken pursuant to the U.S. sanctions relief provided for in the JCPOA should take the steps necessary to wind down those activities by either August 6, 2018, or November 4, 2018, as applicable, to avoid exposure to sanctions or an enforcement action under U.S. law. [05-08-2018]

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## **1.2. Which sanctions will be re-imposed after the 90-day wind-down period ending on August 6, 2018?**

After the 90-day wind down period ends on August 6, 2018, the U.S. government will re-impose the following sanctions that were lifted pursuant to the JCPOA, including sanctions on associated services related to the activities below:

- i. Sanctions on the purchase or acquisition of U.S. dollar banknotes by the Government of Iran;
- ii. Sanctions on Iran's trade in gold or precious metals;
- iii. Sanctions on the direct or indirect sale, supply, or transfer to or from Iran of graphite, raw, or semi-finished metals such as aluminum and steel, coal, and software for integrating industrial processes;
- iv. Sanctions on significant transactions related to the purchase or sale of Iranian rials, or the maintenance of significant funds or accounts outside the territory of Iran denominated in the Iranian rial;
- v. Sanctions on the purchase, subscription to, or facilitation of the issuance of Iranian sovereign debt; and
- vi. Sanctions on Iran's automotive sector.

In addition, following the 90-day wind-down period that ends on August 6, 2018, the U.S. government will revoke the following JCPOA-related authorizations under U.S. primary sanctions regarding Iran:

- i. The importation into the United States of Iranian-origin carpets and foodstuffs and certain related financial transactions pursuant to general licenses under the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR);
- ii. Activities undertaken pursuant to specific licenses issued in connection with the Statement of Licensing Policy for Activities Related to the Export or Re-export to Iran of Commercial Passenger Aircraft and Related Parts and Services (JCPOA SLP); and
- iii. Activities undertaken pursuant to General License I relating to contingent contracts for activities eligible for authorization under the JCPOA SLP.

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Persons engaging in the activities listed above undertaken pursuant to the U.S. sanctions relief provided for in the JCPOA should take the steps necessary to wind down those activities by August 6, 2018, to avoid exposure to sanctions or an enforcement action under U.S. law. (See FAQ 2.1. below for a description of activities that would not be prohibited or sanctionable during the wind-down period). [05-08-2018]

## **1.3. Which sanctions will be re-imposed after the 180-day wind-down period ending on November 4, 2018?**

Following the 180-day wind-down period ending on November 4, 2018, the U.S. government will re-impose the following sanctions that were lifted pursuant to the JCPOA, including sanctions on associated services related to the activities below:

- i. Sanctions on Iran's port operators, and shipping and shipbuilding sectors, including on the Islamic Republic of Iran Shipping Lines (IRISL), South Shipping Line Iran, or their affiliates;
- ii. Sanctions on petroleum-related transactions with, among others, the National Iranian Oil Company (NIOC), Naftiran Intertrade Company (NICO), and National Iranian Tanker Company (NITC), including the purchase of petroleum, petroleum products, or petrochemical products from Iran;
- iii. Sanctions on transactions by foreign financial institutions with the Central Bank of Iran and designated Iranian financial institutions under Section 1245 of the National Defense Authorization Act for Fiscal Year 2012 (NDAA);
- iv. Sanctions on the provision of specialized financial messaging services to the Central Bank of Iran and Iranian financial institutions described in Section 104(c)(2)(E)(ii) of the Comprehensive Iran Sanctions and Divestment Act of 2010 (CISADA);
- v. Sanctions on the provision of underwriting services, insurance, or reinsurance; and
- vi. Sanctions on Iran's energy sector.

In addition, effective November 5, 2018, the U.S. government will revoke the authorization for U.S.-owned or -controlled foreign entities to wind down certain activities with the Government of Iran or persons subject to the jurisdiction of the Government of Iran that were previously authorized pursuant to General License H. (See FAQ 4.4. below).

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Furthermore, no later than November 5, 2018, the U.S. government will re-impose, as appropriate, the sanctions that applied to persons removed from the List of Specially Designated Nationals and Blocked Persons (SDN List) and/or other lists maintained by the U.S. government on January 16, 2016.

Persons engaging in the activity listed above undertaken pursuant to the U.S. sanctions relief provided for in the JCPOA should take the steps necessary to wind down those activities by November 4, 2018, to avoid exposure to sanctions or an enforcement action under U.S. law. (See FAQ 2.1. below for a description of activities that would not be prohibited or sanctionable during the wind-down period.) [05-08-2018]

#### **1.4. Are the sanctions lifted via Executive Order 13716 reinstated as of May 8, 2018?**

OFAC expects the U.S. government to take action to re-impose relevant provisions of Executive Orders 13574, 13590, 13622, 13628, and 13645, by the end of the relevant wind-down period, i.e., August 6, 2018, or November 4, 2018, depending on the activity involved (see FAQs 1.2. and 1.3.). The provisions of Executive Orders 13574, 13590, 13622, 13628, and 13645 that were revoked by Executive Order 13716 have not yet been reinstated as of May 8, 2018. Persons engaging in activity undertaken consistent with the U.S. sanctions relief as specified in the JCPOA should take the steps necessary to wind down those activities to avoid exposure to sanctions or an OFAC enforcement action under U.S. law after August 6, 2018, or November 4, 2018, depending on the activity. [05-08-2018]

#### **1.5. Do the FAQs and Guidance posted on OFAC's website relating to the JCPOA sanctions relief remain in effect?**

As noted above, the President has directed the Secretaries of State and of the Treasury to re-impose U.S. sanctions that were lifted or waived to effectuate the JCPOA sanctions relief as set out in sections II, III, IV, and V of the Guidance Document at the end of the applicable wind-down period. Furthermore, although the sanctions waivers described in section VI of the Guidance Document are no longer in place, they have been replaced with waivers that will allow for the orderly wind-down of activities as specified above. Persons engaging in activity undertaken pursuant to the U.S. sanctions relief provided for in the JCPOA should take the steps necessary to wind down their activities between May 8, 2018 and August 6, 2018, or between May 8, 2018 and November 4, 2018, as applicable, to avoid exposure to sanctions or an enforcement action under U.S. law. The JCPOA Guidance and JCPOA FAQs issued on January 16, 2016, as amended, remain available on OFAC's website only to assist persons in determining which activities were not sanctionable or prohibited between January 16, 2016 and May 8, 2018, and to determine how best to wind down such activity.

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To the extent there are inconsistencies between the JCPOA FAQs, including guidance on wind-down, and other guidance provided by the Department of State or the Department of the Treasury on or after May 8, 2018, the later-issued guidance should be treated as governing. [05-08-2018]

## **2. WIND-DOWN**

### **2.1. How long is the wind-down period and what types of activities are allowed?**

The U.S. government has a past practice of working with U.S. or third-country companies to minimize the impact of sanctions on the legitimate activities of those parties undertaken prior to the imposition of sanctions.

To implement the May 8, 2018 NSPM, the Departments of State and of the Treasury will establish a 90-day and a 180-day wind-down period, as applicable, for activities involving Iran that were consistent with the U.S. sanctions lifting under the JCPOA. (See FAQs 1.2. and 1.3. above for a list of activities subject to the 90-day or 180-day wind-down period.) Consistent with this guidance from the President, the Department of State has revoked certain statutory waivers issued to implement the JCPOA sanctions relief, issued the necessary sanctions waivers to provide for an appropriate wind-down period, and plans to take appropriate action to keep such waivers in place for the duration of the relevant wind-down period, i.e., until August 6, 2018, or November 4, 2018, depending on the activity. Non-U.S., non-Iranian persons are advised to use these time periods to wind-down their activities with or involving Iran that will become sanctionable at the end of the applicable wind-down period.

In the event that a non-U.S., non-Iranian person is owed payment after the conclusion of the wind-down period on August 6, 2018, or November 4, 2018, as applicable, for goods or services fully provided or delivered to an Iranian counterparty prior to August 6, 2018, or November 4, 2018, as applicable, pursuant to a written contract or written agreement entered into prior to May 8, 2018, and such activities were consistent with U.S. sanctions in effect at the time of delivery or provision, the U.S. government would allow the non-U.S., non-Iranian person to receive payment for those goods or services according to the terms of the written contract or written agreement. Similarly, if a non-U.S., non-Iranian person is owed repayment after August 6, 2018, or November 4, 2018, as applicable, for loans or credits extended to an Iranian counterparty prior to the end of the 90-day or 180-day wind-down period, as applicable, provided that such loans or credits were extended pursuant to a written contract or written agreement entered into prior to May 8, 2018, and such activities were consistent with U.S. sanctions in effect at the time the loans or credits were extended, the U.S. government would allow the non-U.S., non-Iranian person to receive repayment of the related debt or obligation according to the terms of the written contract or written agreement.

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This allowance is designed for non-U.S., non-Iranian parties to be made whole for debts and obligations owed or due to them for goods or services fully provided or delivered or loans or credit extended to an Iranian party prior to the end of the 90-day or 180-day wind-down period, as applicable. Any payments would need to be consistent with U.S. sanctions, including that payments could not involve U.S. persons or the U.S. financial system, unless the transactions are exempt from regulation or authorized by OFAC.

Consistent with the conditions described above, OFAC will take steps to allow U.S. persons and U.S.-owned or -controlled foreign entities until August 6, 2018, or November 4, 2018, as applicable, to wind down operations in or business involving Iran conducted pursuant to an OFAC authorization, and to receive payments according to the terms of the written contract or written agreement entered into prior to May 8, 2018, for goods or services fully provided or delivered pursuant to an OFAC authorization. As soon as administratively feasible, OFAC intends, via Federal Register publication, to replace General License H, General License I, and the general licenses set forth at 31 C.F.R. §§ 560.534 and 560.535 (relating to trade in Iranian-origin carpets and foodstuffs) with more narrowly scoped authorizations to allow U.S. persons and, as appropriate, U.S.-owned or -controlled foreign entities, to engage in all transactions ordinarily incident and necessary to wind down activities that were previously authorized pursuant to General License H, General License I, or the general licenses set forth at 31 C.F.R. §§ 560.534 and 560.535 and to receive payments according to the terms of the written contract or written agreement entered into prior to May 8, 2018, for goods or services fully provided or delivered pursuant to an OFAC authorization.

The provision or delivery of additional goods or services and/or the extension of additional loans or credits to an Iranian counterparty after August 6, 2018, or November 4, 2018, as applicable, including pursuant to written contracts or written agreements entered into prior to May 8, 2018, may result in the imposition of U.S. sanctions unless such activities are exempt from regulation, authorized by OFAC, or otherwise not sanctionable.

The U.S. government would evaluate matters falling outside the above parameters on a case-by-case basis.

See FAQs 1.2. and 1.3. above for a list of activities subject to the 90-day or 180-day wind-down period. [05-08-2018]

## **2.2. Can I engage in new activity involving Iran if the activity will not extend beyond the end of the relevant wind-down period?**

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At the end of the wind-down periods, the State Department does not expect to issue further broad waivers of relevant statutory authorities, and OFAC plans to revoke the general and specific licenses issued in connection with the sanctions relief provided under the JCPOA that may remain in effect as of that time. (See FAQs 4.1.-4.5. for more details on the wind-down approach for general and specific licenses.) Prior to August 6, 2018, or November 4, 2018, as applicable, persons engaging in activity consistent with the U.S. sanctions relief specified in the JCPOA should take the steps necessary to wind down operations by that date to avoid exposure to sanctions or an enforcement action when the applicable wind-down period ends. When considering a potential enforcement or sanctions action with respect to activities engaged in after August 6, 2018, or November 4, 2018, as applicable, OFAC will evaluate efforts and steps taken to wind down activities and will assess whether any new business was entered into involving Iran during the applicable wind-down period. [05-08-2018]

## **3. SANCTIONS LISTINGS**

### **3.1. Will the persons that were placed on the List of Persons Identified as Blocked Solely Pursuant to Executive Order 13599 (E.O. 13599 List) on JCPOA Implementation Day (January 16, 2016) be put back on the SDN List?**

No later than November 5, 2018, OFAC expects to move persons identified as meeting the definition of the terms “Government of Iran” or “Iranian financial institution” from the List of Persons Blocked Solely Pursuant to E.O. 13599 (the “E.O. 13599 List”) to the SDN List. OFAC will not add these persons to the SDN List on May 8, 2018, to allow for the orderly wind down by non-U.S., non-Iranian persons of activities that had been undertaken prior to May 8, 2018, consistent with the U.S. sanctions relief provided for under the JCPOA involving persons on the E.O. 13599 List. The Government of Iran and Iranian financial institutions remain persons whose property and interests in property are blocked pursuant to E.O. 13599 and section 560.211 of the ITSR, and U.S. persons continue to be broadly prohibited from engaging in transactions or dealing with the Government of Iran and Iranian financial institutions. Beginning on November 5, 2018, activities with most persons moved from the E.O. 13599 List to the SDN List will be subject to secondary sanctions. Such persons will have a notation of “Additional Sanctions Information – Subject to Secondary Sanctions” in their SDN List entry.

The United States has and continues to enforce multiple authorities that target a range of Iranian malign activity outside of Iran’s nuclear program, including Iran’s support for terrorism, ballistic missile program, human rights abuses, and destabilizing activity in the region. Treasury will continue to target aggressively anyone who engages in such sanctionable activity, regardless of whether the individual or entity was removed from the SDN List on Implementation Day. [05-08-2018]

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### **3.2. As of May 8, 2018, do secondary sanctions attach to the persons that were removed from the SDN List and/or other OFAC sanctions lists on Implementation Day?**

No. However, no later than November 5, 2018, OFAC will re-impose, as appropriate, the sanctions that applied to persons removed from the SDN List and/or other lists maintained by OFAC on January 16, 2016. Depending on the authority or authorities pursuant to which these actions to re-list are taken, there may be secondary sanctions exposure for parties that engage in certain activities with these persons after their re-listing. Persons subject to secondary sanctions will have a notation of “Additional Sanctions Information – Subject to Secondary Sanctions” in their SDN List entry. Transactions conducted during the wind-down periods involving persons removed from the SDN List on January 16, 2016 could be sanctionable to the extent they are outside the scope of the wind-down waivers issued by the State Department or involve persons on the SDN List or conduct described in JCPOA FAQ A.3.ii-iii. OFAC recommends that a person conducting activities in Iran or with Iranian persons during the wind-down periods exercise due diligence sufficient to ensure that it is not knowingly engaging in transactions with persons on the SDN List or in activities that would be sanctionable under authorities targeting Iran’s malign activities.

The United States has and continues to enforce multiple authorities that target a range of Iranian malign activity outside of Iran’s nuclear program, including Iran’s support for terrorism, ballistic missile program, human rights abuses, and destabilizing activity in the region. Treasury will continue to target aggressively anyone who engages in such sanctionable activity, regardless of whether the individual or entity was removed from the SDN List on Implementation Day. [05-08-2018]

## **4. LICENSING**

### **4.1. Will OFAC continue to consider license applications under the Statement of Licensing Policy for Activities Related to the Export or Re-export to Iran of Commercial Passenger Aircraft and Related Parts and Services (JCPOA SLP)?**

No. Following the issuance of the May 8, 2018 NSPM, OFAC rescinded the JCPOA SLP and will no longer evaluate applications under the JCPOA SLP. OFAC will still consider applications, however, under the safety of flight statement of licensing policy found in 31 C.F.R. § 560.528. [05-08-2018]

### **4.2. Does OFAC anticipate revoking specific licenses issued under the JCPOA SLP?**

Yes. To the extent they have not yet expired, OFAC expects to revoke the specific licenses issued pursuant to the JCPOA SLP and issue authorizations to provide for a wind-down period that will end on August 6, 2018.

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License applications that were submitted to OFAC pursuant to the JCPOA SLP but for which no license has been issued will be returned without action. Applicants may resubmit their applications for consideration under the safety of flight statement of licensing policy found in 31 C.F.R. § 560.528. [05-08-2018]

### **4.3. Is General License I (GL I) still in effect?**

Following the issuance of the May 8, 2018 NSPM, OFAC removed from its website, and will no longer evaluate applications under, the JCPOA SLP. Accordingly, OFAC expects to revoke, as soon as is administratively feasible, GL I, which authorized U.S. persons to enter into, and to engage in transactions that are ordinarily incident to the negotiation of and entry into, contingent contracts for activities eligible for authorization under the JCPOA SLP. OFAC also expects to issue a revised authorization for the wind-down of activities authorized pursuant to GL I. The wind-down of those activities authorized pursuant to GL I must be completed by August 6, 2018. Notice of the revocation of GL I and the issuance of the wind-down authorization will be published in the Federal Register. [05-08-2018]

### **4.4. Is General License H (GL H) still in effect during the wind-down period?**

OFAC intends to revoke GL H, which authorized U.S.-owned or -controlled foreign entities to engage in certain activities involving Iran, as soon as is administratively feasible. OFAC also expects to issue a revised authorization for the wind down of activities involving Iran authorized pursuant to GL H. The wind-down of those activities authorized pursuant to GL H must be completed by November 4, 2018. Notice of the revocation of GL H and the issuance of the wind-down authorization will be published in the Federal Register. Any activities by U.S.-owned or -controlled foreign entities that continue after the wind-down period concludes on November 4, 2018, in violation of the ITSR may be subject to enforcement actions by OFAC. In considering what potential enforcement or sanctions actions to take with respect to activities engaged in after November 4, 2018, OFAC will take into account the efforts to wind down activities involving Iran prior to that date. [05-08-2018]

### **4.5. Can I continue to import Iranian-origin carpets and foodstuffs after May 8, 2018?**

OFAC intends to amend the general licenses at 31 C.F.R. §§ 560.534 (authorizing the importation into the United States of, and dealings in, certain Iranian-origin carpets and foodstuffs) and 560.535 (authorizing certain related letters of credit and brokering services) as soon as is administratively feasible in order to narrow the scope of those general licenses to authorize the wind-down of activities by August 6, 2018, that were undertaken consistent with the sanctions relief provided for in the JCPOA.

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Notice of the revocation of the general licenses set forth at 31 C.F.R. §§ 560.534-535 and the issuance of the wind-down authorization will be published in the Federal Register. Any activities by U.S. persons or U.S.-owned or -controlled foreign entities that continue after the wind-down period concludes on August 6, 2018, in violation of the ITSR may be subject to enforcement actions by OFAC. In considering what potential enforcement or sanctions actions to take with respect to activities engaged in after August 6, 2018, OFAC will take into account the efforts to wind-down activities involving Iran prior to that date. [05-08-2018]

## 5. OTHER

### 5.1. Will the United States resume efforts to reduce Iran's crude oil sales?

Yes. The sanctions lifted under section 1245(d) of the NDAA will be re-imposed following a 180-day wind-down period, and the United States will again pursue efforts to reduce Iran's sales of crude oil under the NDAA during and following that period. For more information about NDAA sanctions, see Topic NDAA (Section 1245 of the National Defense Authorization Act for Fiscal Year 2012)

### 5.2. How and when will significant reduction exceptions be determined?

The State Department will evaluate and make determinations with respect to significant reduction exceptions provided for in section 1245(d)(4)(D) of the NDAA at the end of the 180-day wind-down period. Countries seeking such exceptions are advised to reduce their volume of crude oil purchases from Iran during this wind-down period. Consistent with past practice, the Secretary of State, in consultation with the Secretary of the Treasury, the Secretary of Energy, and the Director of National Intelligence, would make such determinations following a process of rigorous due diligence. For the initial set of such determinations, the State Department intends to consider relevant evidence in assessing each country's efforts to reduce the volume of crude oil imported from Iran during the 180-day wind-down period, including the quantity and percentage of the reduction in purchases of Iranian crude oil, the termination of contracts for future delivery of Iranian crude oil, and other actions that demonstrate a commitment to decrease substantially such purchases. The State Department expects to engage in consultations with countries currently purchasing Iranian crude oil during the 180-day wind-down period.

## Proposed Changes released for USML Cat I, II, and III

Please be advised that the U.S. Department of State and the U.S. Bureau of Industry and Security have released proposed changes to USML Categories I, II, and III.

Category I – Firearms, Close Assault Weapons and Combat Shotguns; Category II – Guns and Armament; and Category III, (Ammunition/Ordnance) of the USML

There will be a 45 day public comment period, once these proposed changes are released to the Federal Register.

A number of new ECCN's will be added to have items removed from State and Controlled by Commerce. A number of existing ECCN's will be changed or eliminated.

If you work in these categories, please review this link carefully. Unless there is a lot of public comment, final changes could come as soon as 180 days from proposed changes,

December 2018 or early next year.

<https://www.bis.doc.gov/index.php/documents/pdfs/2207-05-4-18-signed-commerce-firearms-proposed-rule-delivered-to-ofr-for-publication/file>

FOR FURTHER INFORMATION CONTACT: Steven Clagett, Office of Nonproliferation Controls and Treaty Compliance, Nuclear and Missile Technology Controls Division, tel. (202) 482-1641 or e-mail <http://steven.clagett@bis.doc.gov>.

## PRESIDENT TRUMP RECONSIDERS ZTE PENALTIES

WASHINGTON — After weeks of threatening China with punitive restrictions and stiff tariffs, President Trump is now siding with his more moderate economic advisers and looking to strike a deal to avert a devastating trade war.

The administration is considering easing up on one of China's largest telecommunications companies, ZTE, in exchange for China agreeing to buy more American products and lift its own crippling restrictions on American agriculture, people familiar with the deliberations said.

Mr. Trump defended the shift in a tweet on Monday, saying that ZTE "buys a big percentage of individual parts from U.S. companies" and that the new stance was "reflective of the larger trade deal we are negotiating with China and my personal relationship with President Xi" Jinping of China.

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The move is a sharp reversal from just two weeks ago, when the views of anti-China advisers within the Trump administration appeared ascendant. Mr. Trump, spurred on by Robert Lighthizer, the United States trade representative, and Peter Navarro, a top trade adviser, was pushing the United States toward a potential showdown with the Chinese over its economic behavior — a clash that had put many American companies at risk.

During a trip to Beijing early this month, top American officials handed their Chinese counterparts a lengthy list of demands to dramatically change their trade practices and curtail the state's role in the economy. The list, which included cutting their trade surplus with the United States by \$200 billion, halting subsidies to advanced manufacturing and slashing their tariffs to the same level as the United States, took the Chinese by surprise, according to people familiar with the visit, and appeared to further chill relations between the two economic giants.

Mr. Trump now appears, at least for the moment, to be walking back from that tougher stance and seeking a quicker — and easier — resolution of trade conflicts with the Chinese.

The president's reconsideration of sanctions imposed on ZTE stems in part from Beijing's demand that the United States consider lifting the penalties ahead of a visit by Liu He, a Chinese vice premier, who was expected to arrive in Washington this week for negotiations aimed at resolving the simmering trade conflict between the two countries. The Chinese made clear that Mr. Liu's visit was conditional on discussing the sanctions.

But the more moderate approach also stems from the more market-friendly views of two of Mr. Trump's favorite advisers, Treasury Secretary Steven Mnuchin and Larry Kudlow, who heads the National Economic Council.

Mr. Mnuchin has taken the lead role in recent weeks in pushing to resolve tensions and avoid potentially damaging tariffs and investment restrictions. He pressed for top officials to travel to China to try to resolve trade tensions, and helped fuel the president's focus on a deal revolving around reducing the United States' trade deficit with China, which Mr. Trump frequently denounces.

"Secretary Mnuchin has been pushing for a more conciliatory view to China for this entire period, certainly since the launch of the 301 investigation," Derek Scissors, a resident scholar at the American Enterprise Institute, said, referring to the section of trade law that authorized an investigation into whether China had illegally obtained American intellectual property. "We see evidence that the Treasury Department does not want to impose investment sanctions on China as required by the original 301 findings."

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A senior Treasury Department official said Mr. Mnuchin has had conversations with Mr. Trump and Commerce Secretary Wilbur Ross in recent days about China's ZTE concerns. However, the official said a review of the Commerce Department's action against ZTE was not a precondition for trade talks.

Among the Trump economic officials, Mr. Mnuchin has been more encouraged by China's expressions of willingness to address the trade imbalance between the two countries and, because of his national security responsibilities, he considers the implications for North Korea nuclear talks when engaged in trade negotiations.

The Trump administration threatened ZTE's existence as a business last month, when the Commerce Department ordered a seven-year halt in American shipments of computer microchips and software at the heart of most of ZTE's gear. The move hit one of the United States' biggest telecom companies, Qualcomm, which lost the ability to export semiconductors to ZTE, one of its biggest customers. In China, Qualcomm's plan to acquire NXP Semiconductors had been stalled by a prolonged antitrust review, which many saw as retaliation for America's trade moves.

The Commerce Department's Bureau of Industry and Security accused ZTE of violating American sanctions by selling to Iran and North Korea and then covering up the exports and rewarding the executives involved. ZTE has acknowledged it violated sanctions, but blamed the actions on poor internal controls rather than a deliberate defiance of the American legal system.

ZTE, a 75,000-employee business that makes smartphones and cellphone tower equipment, began shutting down operations last week after it was unable to find alternative suppliers.

But in a surprise tweet on Sunday, the president held out the possibility of a reversal for the company. "President Xi of China, and I, are working together to give massive Chinese phone company, ZTE, a way to get back into business, fast. Too many jobs in China lost. Commerce Department has been instructed to get it done!"

The president's tweet provoked a swift and harsh response from lawmakers on both sides of the aisle.

"I hope this isn't the beginning of backing down to China," Senator Marco Rubio, Republican of Florida, wrote on Twitter on Monday. "While Chinese companies have unrestricted access to U.S. market & protection of our laws many U.S. companies have been ruined after #China blocked market access or stole their intellectual property."

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Senator Chuck Schumer of New York, the Democratic leader, said in a statement: “This leads to the greatest worry, which is that the president will back off on what China fears most — a crackdown on intellectual property theft — in exchange for buying some goods in the short run. That’s a bad deal if there ever was one.”

A White House spokeswoman walked back the tweet on Sunday, saying that the president expected Mr. Ross to exercise his independent judgment on the ZTE case.

On Monday, Raj Shah, a White House spokesman, denied that accommodating China’s concerns represented a broken promise by Mr. Trump to protect America’s interests, saying that the relationship with China was complex.

“He’s been tough and he’s confronted them,” Mr. Shah said. “But on this issue, he’s asked the secretary of commerce to take a look at it.”

In remarks at the National Press Club on Monday, Mr. Ross said that he expected Mr. Liu to bring up ZTE when he traveled to Washington for talks this week, but that the company’s fate should not be linked to the trade negotiations.

“Our position has been that is an enforcement action separate from trade,” Mr. Ross said. “ZTE did do some inappropriate things, they admitted to them.”

He added: “The question is are there alternative remedies to the one that we had originally put forward.”

Mr. Trump’s offer to throw a lifeline to ZTE found a receptive audience in Beijing on Monday, a development that could help him strike deals on thorny issues like trade and North Korea. The Chinese reaction underscored the importance that Beijing has placed on ZTE’s survival, and the company’s travails have encapsulated the worries among Chinese leaders that their country depends too much on American technology.

“We very much appreciate the positive attitude of the U.S. side to the issue of the ZTE Corporation, and are maintaining close communication with the U.S. on the implementation of specific details,” Lu Kang, a spokesman for the Chinese Ministry of Foreign Affairs, said at a daily briefing Monday afternoon.

Hu Xijin, the chief editor of Global Times, a newspaper owned by the Chinese Communist Party, used his widely followed account on the social media service Weibo to add, “No matter if the previous sanction was a card in Washington’s concerted move for a trade war on China, the newest decision is a good one.”

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Mr. Trump’s move could also help calm tensions with Beijing ahead of his summit meeting next month in Singapore with the North Korean leader, Kim Jong-un — Mr. Xi has considerable power to help or disrupt a deal, given North Korea’s economic dependence on China.

Still, defending ZTE in a dispute involving Chinese exports to North Korea has been politically awkward for Beijing. Chinese officials believe that their country has been helpful in enforcing international sanctions against North Korea, said one senior Chinese government adviser who spoke on condition of anonymity because of political sensitivities.

In the days after the ZTE penalty was announced last month, Beijing did not try to defend the company’s ties to Iran or North Korea. ZTE was also castigated in social media by the general public for having spent so little on research and development that it was completely dependent on the United States.

## State Trade and Export Promotion (STEP) Grant Initiative, CFDA# 59.061

### State Trade and Export Promotion (STEP) Grant Program

The State Trade and Export Promotion Grant Program (STEP) is a 3-year pilot trade and export initiative to make matching-fund grants for states to assist “eligible small business concerns,” enter and succeed in the international marketplace. Services under the STEP Program are funded in part by SBA, but are provided to eligible small business concerns – or “STEP Clients” - by STEP grant recipients located in most states and territories, and the District of Columbia.

### About the Program

The program’s objectives are to increase the number of small businesses that are exporting, and to increase the value of exports for those small businesses that are currently exporting.

STEP services are managed and provided at the local level by state government organizations. The program is managed at the national level by the U.S. Small Business Administration’s Office of International Trade. At the state level, The Program has total Federal funding of \$60,000,000, for use over a two-year period.

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STEP was authorized by Section 1207 of the Small Business Jobs Act of 2010. Under the statute, the 50 states, District of Columbia, Commonwealth of Puerto Rico, Virgin Islands, Guam, and American Samoa, are eligible to compete for award of matching-fund grants. The ratio of Federal to state matching funds is 75% to 25%, except for high exporting states, for which the ratio of Federal to state matching funds is 65% to 35%, and territorial possessions of the Virgin Islands, Guam, and American Samoa, for which matching funds requirements are waived to a maximum of \$200,000.

#### Program Facts

Under the first grant competition in 2011, SBA awarded fifty-one cooperative agreements, totaling \$28,977,094. Under the second competition in 2012, the Agency awarded fifty-two cooperative agreements, totaling \$29,996,182. Individual State project award amounts varied, based on proposed project plans and budgets. In the first grant competition, the average award value was \$568,000. In the second grant competition, the average award value was \$577,000.

#### How to Find STEP State Service Providers

Award amounts, program descriptions, and points of contact for all states, listed alphabetically[[link](#)]  
Scroll down to the interactive map entitled "Current Grants by State," and click on individual states for award amounts, program descriptions, and points of contact.  
Contact [STEP@sba.gov](mailto:STEP@sba.gov)([link](#) sends e-mail)

## Training

Interested to learn about the latest updates to the Export Administration Regulations? Register today for BIS seminars in Florida, Ohio, Washington State, and Texas before these programs fill up! Registration is also open for an Export Compliance Seminar and Workshop in Florida. Details below.

■ Complying with U.S. Export Controls – 2 Days  
May 23-24, 2018  
Cleveland, OH  
Registration: \$450

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*“Success is the sum of small efforts-repeated day in and day out.”*

■ Complying with U.S. Export Controls – 2 Days  
June 6-7, 2018  
Seattle, WA  
Registration: \$500 for TDA Seattle members/\$550 for non-members

■ Complying with U.S. Export Controls – 2 Days  
June 12-13, 2018  
Houston, TX  
Registration: \$575

■ Technology and Software Controls – 1 Day  
June 14, 2018  
Houston, TX  
Registration: \$300  
“Complying with U.S. Export Controls” is a two-day program led by BIS’s professional counseling staff and provides an in-depth examination of the Export Administration Regulations (EAR). The program will cover the information exporters need to know to comply with U.S. export control requirements under these regulations. We will focus on what items and activities are subject to the EAR; steps to take to determine the export licensing requirements for your item, how to determine your export control classification number (ECCN), when you can export or reexport without applying for a license, export clearance procedures and record keeping requirements, and real life examples in applying this information. Presenters will conduct a number of "hands-on" exercises that will prepare you to apply the regulations to your own company's export activities.

■ Export Compliance Seminar and Workshop – 2 Days  
May 22-23, 2018  
Coral Gables, FL  
Registration: \$450  
The Bureau of Industry and Security (BIS) has partnered with the International Trade Administration (ITA) to conduct an Export Compliance Seminar and Workshop. Speakers from the Census Bureau, Bureau of Industry and Security, Office of Foreign Assets Control, Directorate of Defense Trade Controls at the U.S. Department of State, and Customs and Border Protection, will deliver a full day of instruction covering major regulations, updates, and licensing requirements. The second day will consist of a Workshop where members of the South Florida District Export Council will offer hands-on training on how to set up an Export Compliance program, apply for licenses, generate reports in the Automated Commercial Environment (ACE), commodity classification, and much more.

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