



EIB World Trade Headlines

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Getting and Staying in Compliance with the ITAR

Know Your Business, Obligations, and Risk Areas

If you are engaged in the manufacturing, exporting, temporary importing, or brokering of defense articles (including technical data), or provisioning of defense services controlled by the ITAR (see the [U.S. Munitions List](#)), you need to know what the ITAR requires of you. This will include: (1) [registration](#), (2) maintenance of records required by [22 CFR 122.5](#), and (3) obtaining licenses or other approvals prior to making exports, temporary imports, or engaging in brokering activities (see [licenses and agreements](#)).

Establish and Maintain a Compliance Program

The Office of Defense Trade Controls Compliance strongly advises parties engaged in defense trade to establish and maintain an ITAR/export compliance program. We rely on everyone who deals with USML items to help us protect our nation's sensitive technologies.

In designing a compliance program you need to understand how your business works to determine your risk areas. Possessing defense articles or technical data raises your risk of an inadvertent violation. Many companies that don't engage in manufacturing, exporting, or brokering, still maintain compliance programs to reduce the risk of such violations.

A good program is generally:

- Clearly documented in writing
- Tailored to the business
- Regularly reviewed/updated
- Fully supported by management

Before You Export...

The Office of Defense Trade Controls Compliance recommends that the exporter, temporary importer, or broker of a defense article or provider of a defense service pay attention to the following:

- Complete registration requirements
- Know the relevant U.S. Munitions List category
- Know the end user and end use of the defense article or service
- Know prohibited destinations
- Screen all parties
- Ensure party names are accurate and complete
- Know whether the transaction is covered by an exemption and, if so, understand exemption requirements
- Ensure all information provided on a request for license or other approval is accurate (e.g. valuation for Congressional notification)
- Be aware of the reporting requirements under [22 CFR 130](#)
- Know who is responsible for filing, retention, and return of export licenses and filing of export information under [22 CFR 123.22](#)

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FOR IMMEDIATE RELEASE

March 20, 2024
www.bis.doc.gov

BUREAU OF INDUSTRY AND SECURITY

Office of Congressional and Public Affairs
OCPA@bis.doc.gov

Commerce Rule Advances U.S. National Security by Enhancing Coordination Between Commerce Export Controls and Treasury Sanctions

WASHINGTON, D.C. – Today, the U.S. Commerce Department’s Bureau of Industry and Security (BIS) released a final rule to impose additional restrictions under the Export Administration Regulations (EAR) on persons identified under fourteen sanctions programs, on the List of Specially Designated Nationals and Blocked Persons (SDN List) maintained by the Department of the Treasury’s Office of Foreign Assets Control (OFAC). Today’s action builds on long-standing end-user restrictions under the EAR.

“Today’s action will further our already strong coordination with the Treasury Department to prevent foreign actors from obtaining the items and financing they seek to conduct activities that threaten U.S. national security and foreign policy interests,” **said Under Secretary of Commerce for Industry and Security Alan Estevez.**

“Export controls and financial sanctions have long been complementary, and today’s rule will serve as a force multiplier in their overall effectiveness,” **said Assistant Secretary of Commerce for Export Administration Thea D. Rozman Kendler.** “In the context of our response to Russia’s horrific invasion of Ukraine, we have seen just how important close coordination in applying both export controls and financial sanctions is to undermine the ability of foreign adversaries to fund their destabilizing activities and obtain the items they seek to carry out those activities.”

While the EAR has for many years restricted the export, reexport, and transfer (in-country) transactions involving certain persons and entities identified on the SDN List or pursuant to certain statutory authorities, today’s rule ensures that persons and entities blocked under fourteen OFAC sanctions programs will also automatically be subject to stringent export, reexport, and transfer (in-country) controls under the EAR. The fourteen OFAC sanctions programs consist of:

- Seven Executive Orders related to Russia’s harmful foreign activities, including its aggression in Ukraine dating back to its 2014 annexation of Crimea as well as the recent further invasion in 2022 and the undermining of democratic processes or institutions in Belarus (EOs 13405, 13660, 13661, 13662, 13685, 14024, and 14038);
- Two programs related to terrorism (Foreign Terrorist Organizations Sanctions Regulations and Global Terrorism Sanctions Regulations);
- The Weapons of Mass Destruction Proliferators Sanctions Regulations; and Four programs related to narcotics trafficking and other criminal networks (EOs 13581 and 14059, the Narcotics Trafficking Sanctions Regulations, and the Foreign Narcotics Kingpin Sanctions Regulations).

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Because the EAR’s restrictions focus primarily on the export of items, Commerce authorities can serve to complement OFAC’s blocking measures targeting financial dealings, especially for transactions that involve items subject to the EAR but do not involve U.S. persons.

The rule also makes structural and technical changes to consolidate existing SDN-related EAR restrictions so that all SDN-related provisions are in the same section of Part 744 (Control Policy: End-User and End-Use Based), which describes the EAR’s prohibitions against exports, reexports, and transfers (in-country) of items to certain end users and end uses unless authorized by BIS.

Text of the changes issued today is available on the Federal Register’s website here ([link](#)). The effective date is upon publication by the Federal Register, scheduled for March 21, 2024.

For more information, visit BIS’s website at: <https://www.bis.doc.gov>.

FOR THE ACTUAL FEDERAL REGISTER RELEASE:

<https://www.federalregister.gov/public-inspection/2024-06067/export-administration-regulations-end-user-controls-imposition-of-restrictions-on-certain-persons>

FOR IMMEDIATE RELEASE

Monday, April 1, 2024

Media Contact:

Office of Public Affairs, publicaffairs@doc.gov

U.S. and UK Announce Partnership on Science of AI Safety

U.S. and UK AI Safety Institutes to work seamlessly with each other, partnering on research, safety evaluations, and guidance for AI safety Institutes to develop shared capabilities through information-sharing, close cooperation, and expert personnel exchanges

The U.S. and UK have today signed a Memorandum of Understanding (MOU) which will see them work together to develop tests for the most advanced AI models, following through on commitments made at the AI Safety Summit last November.

Signed by U.S. Commerce Secretary Gina Raimondo and UK Technology Secretary Michelle Donelan, the partnership will see both countries working to align their scientific approaches and working closely to accelerate and rapidly iterate robust suites of evaluations for AI models, systems, and agents.

The U.S. and UK AI Safety Institutes have laid out plans to build a common approach to AI safety testing and to share their capabilities to ensure these risks can be tackled effectively. They intend to perform at least one joint testing exercise on a publicly accessible model. They also intend to tap into a collective pool of expertise by exploring personnel exchanges between the Institutes.

The partnership will take effect immediately and is intended to allow both organizations to work seamlessly with one another. AI continues to develop rapidly, and both governments recognise the need to act now to ensure a shared approach to AI safety which can keep pace with the technology’s emerging risks. As the countries strengthen their partnership on AI safety, they have also committed to develop similar partnerships with other countries to promote AI safety across the globe. *(*Continued On The Following Page)*

“AI is the defining technology of our generation. This partnership is going to accelerate both of our Institutes’ work across the full spectrum of risks, whether to our national security or to our broader society. Our partnership makes clear that we aren’t running away from these concerns – we’re running at them. Because of our collaboration, our Institutes will gain a better understanding of AI systems, conduct more robust evaluations, and issue more rigorous guidance,” said **U.S. Secretary of Commerce Gina Raimondo**. “By working together, we are furthering the long-lasting special relationship between the U.S. and UK and laying the groundwork to ensure that we’re keeping AI safe both now and in the future.”

“This agreement represents a landmark moment, as the UK and the United States deepen our enduring special relationship to address the defining technology challenge of our generation,” said **UK Secretary of State for Science, Innovation, and Technology, Michelle Donelan**. “We have always been clear that ensuring the safe development of AI is a shared global issue. Only by working together can we address the technology’s risks head on and harness its enormous potential to help us all live easier and healthier lives. The work of our two nations in driving forward AI safety will strengthen the foundations we laid at Bletchley Park in November, and I have no doubt that our shared expertise will continue to pave the way for countries tapping into AI’s enormous benefits safely and responsibly.”

The U.S. and UK have always been clear that ensuring the safe development of AI is a shared global issue. Reflecting the importance of ongoing international collaboration, today’s announcement will also see both countries sharing vital information about the capabilities and risks associated with AI models and systems, as well as fundamental technical research on AI safety and security. This will work to underpin a common approach to AI safety testing, allowing researchers on both sides of the Atlantic—and around the world—to coalesce around a common scientific foundation.

FRAUD ALERT FOR GOVERNMENT EMPLOYEES

Employee and Annuitant Pay Account Takeovers

The U.S. Department of State (DOS) Office of Inspector General (OIG), Office of Investigations (INV), has become aware of a fraud scheme targeting the payroll accounts of Department of State employees and annuitants. Specifically, the subjects engaged in the scheme are using phishing, email account takeovers, and social engineering to redirect payroll deposits from the employees’ and annuitants’ bank accounts to the subjects’ bank accounts.

The scheme originally targeted annuitant accounts. The subjects perpetrated the scheme by creating email accounts similar to those of the annuitants and using the spoofed email accounts to request changes to the direct deposit accounts of the annuitants. The scheme later grew to include phishing attempts against employees to obtain identifying information and directly hacking into Employee Express accounts and changing the bank deposit information. One phishing ploy the subjects used was to send emails with revised 1099 forms that appeared to come from the Bureau of the Comptroller and Global Financial Services (CGFS). Clicking a link on the 1099 would then potentially expose a victim’s computer to malware.

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To prevent being victimized, employees and annuitants should practice good cybersecurity habits (to include regularly changing passwords) and be vigilant in confirming the email addresses of alleged government agencies that send links or request sensitive information. Immediately report suspicious emails or other communications, such as texts and phone calls involving payroll, to CGFS and the OIG Computer Incident Response Team (CIRT).

If you have information about fraud, waste, abuse, mismanagement, or other crimes or violations of federal laws, rules, and regulations relating to Department or U.S. Agency for Global Media programs and operations, please report it to the OIG Hotline. You can submit your complaint at stateoig.gov/hotline.

The Hotline may be used for unclassified information only. To submit classified information, contact the Hotline at (800) 409-9926 or (202) 647-3320 for further instructions.

- [FRAUD ALERT 2024-01.pdf](#)

Statement from President Joe Biden on the Passing of Lou Conter - This week, America lost a hero.

On December 7, 1941, Lou Conter was serving on the U.S.S. Arizona, stationed on Battleship Row at Pearl Harbor, Hawai’i. His job was quartermaster, assisting with the battleship’s navigation. He had just turned 20 years old.

When Japan’s attack on Pearl Harbor began that morning, the Arizona was hit by several armor-piercing bombs. One hit the ship’s magazine, where more than a million pounds of gunpowder were stored. The battleship exploded.

Lou, miraculously, was uninjured. He quickly got to work helping survivors, and he spent the next several days helping to put out fires and recover bodies. In the end, 1,177 officers and crewmen of the U.S.S. Arizona were killed. Fewer than 100 of the people on board that day survived.

Lou Conter’s service to his country didn’t end there. He became a Naval pilot, flying hundreds of combat missions in World War II and dozens in the Korean War. He also became the Navy’s very first SERE officer, training airmen in critical skills – Survive, Evade, Resist, and Escape – in case they were shot down or captured. By the time he retired from the military, he had earned the rank of lieutenant commander. And he never forgot all the brave men he served with on board the Arizona. Until he was nearly 100 years old, he attended annual memorial services at Pearl Harbor.

When Lou passed away on Monday at the age of 102, America said farewell to the last known survivor of the U.S.S. Arizona.

The women and men who serve in the U.S. Armed Forces are patriots in the highest sense. Like Lou, they risk their own safety for the safety of their fellow Americans. Like Lou, they bravely undertake dangerous missions to defend our nation’s freedom and future. Like Lou, they believe deeply in their duty to their country and their fellow service members and will go to the ends of the earth to fulfill that duty. Our nation owes them all a debt of gratitude we can never repay.

Today, our hearts are with Lou Conter’s family and friends, and all those he served with over the years, including his shipmates on the U.S.S. Arizona. May God bless and keep them.

Background Press Call on the Bilateral Relationship with the People's Republic of China

Tomorrow, on April 2nd, in the morning, President Biden will hold a phone call with President Xi Jinping of the People's Republic of China. Ahead of that, we thought it would be useful to give some context on the expected shape of that call and what we plan to raise. As many of you are tracking, the two leaders met face-to-face in Bali in November 2022 and then held a summit meeting in Woodside, California, in November 2023. At Woodside, the two leaders agreed to maintain regular open lines of communication to responsibly manage competition and prevent unintended conflict. And this phone call really is just part of that ongoing effort.

I will note just for folks' awareness, the last call between the two leaders was July 2022. So it's been a bit since we've done a telephone call between President Xi and President Biden.

This call, of course, builds on the in-depth meetings between National Security Advisor Jake Sullivan and CCP Director of the Office of Foreign Affairs Commission and Foreign Minister Wang Yi in Bangkok on January 26th, 27th of this year, and Secretary Blinken's meeting with Wang Yi in Munich in February.

On the call tomorrow, we anticipate President Biden and President Xi will discuss the U.S.-China bilateral relationship, the continued importance of strengthening lines of communication and managing competition responsibly, and a range of regional and global issues.

I should note as well, of course: We have not changed our approach to the PRC, which remains one focused on the framework of invest, align, and compete. Intense competition requires intense diplomacy to manage tensions, address misperceptions, and prevent unintended conflict. And this call is one way to do that.

There are also, of course, areas of cooperation where our interests align, and it is important to work together to deliver on issues that matter to the American people. These areas include counternarcotics, risk and safety issues related to AI, resumption of mil-mil communication channels, and climate issues. We expect the leaders will discuss progress on each of these issues since the Woodside Summit.

On the upcoming call, we expect President Biden to emphasize the need for continued progress and substantive action on counternarcotics to address the scourge of illicit narcotics trafficking.

Since Woodside Summit, we have seen the PRC implement some initial measures to restrict and disrupt the flow of certain precursor chemicals used to produce illicit synthetic drugs. But, of course, the drug trade is continually evolving and changing. And in order to ensure that we are disrupting this trade flow, we, the U.S. and China, need to maintain close consultations, both law enforcement to law enforcement, at the technical level and otherwise, to really drive that substantive law enforcement action.

We also urge the PRC to follow through by scheduling chemicals agreed upon by the international community at the recent U.N. Commission on Narcotic Drugs.

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On mil-mil communication, another outcome of the summit, the Chairman of the Joint Chiefs of Staff, General Brown, held a virtual meeting with his counterpart in December. The Defense Policy Coordination talks took place in early January.

This week in Honolulu, operator-level Military Maritime Consultative Agreement meetings, the MMCA — it just rolls right off your tongue — will take place. The goal of that is really to talk at the operator level about how to avoid and better understand the actions of the other party.

We also expect communications at the minister-secretary level and between theater commanders in the coming months.

All of these interactions from the operator up to the very top, SecDef level, are important to avoid misunderstandings and miscalculations.

President Biden has made clear that this mil-mil communication is critical at all times but especially during times of heightened tensions.

Another outcome from the summit: On AI, we are working towards a U.S.-China dialogue in the coming weeks aimed at managing the risk and safety challenges posed by advanced forms of AI.

I will note as well: On March 21, the PRC supported a landmark resolution on AI at the United Nations as a co-sponsor, along with more than 120 countries, including the United States. We think it is critical for the U.S. and China to better understand respective views and approaches to managing the risks associated with AI applications and to communicate about particular areas of concern. That's just what this AI dialogue will do in the coming weeks.

We're also continuing discussion in key channels on climate and economic issues, and seeking to strengthen ties between the people of the two countries, including by expanding educational and other exchanges.

The call will also be an opportunity, as I mentioned, for the President to raise issues outside of bilateral issues. We expect him to touch on a number of those. This call will be an opportunity for the President to reaffirm the U.S. One China policy and reiterate the importance of peace and stability across the Taiwan Strait, especially given the upcoming May presidential inauguration in Taiwan.

The President may also express concern over destabilizing PRC actions in the South China Sea, including the dangerous recent action of the PRC coast guard against routine Philippine maritime operations near Second Thomas Shoal.

He will likely also raise concern about the PRC's support for Russia's war against Ukraine and its efforts to help Russia reconstitute its defense industrial base. We're increasingly concerned that this action will impact longer-term European security. And I think you heard many of these same concerns voiced by the French foreign minister in Beijing over the weekend.

We also expect the two leaders to cover a range of other regional and global issues including efforts to advance the denuclearization of the Korean Peninsula.

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On economic and trade issues, President Biden will likely reiterate concerns about the PRC's unfair economic practices and convey that the U.S. will continue to take actions to protect our economic and national security interests. This includes, among other things, ensuring a fair and level playing field for American workers, as well as preventing advanced U.S. technologies from being used to undermine our national security.

And all of this is focused on de-risking, not decoupling, and the President will make clear that is the direction we continue to follow.

In his many conversations with President Xi, President Biden has consistently underscored the critical importance of respect for human rights. And I expect the President will again raise concerns regarding the erosion of Hong Kong's autonomy and PRC human rights abuses, including in Xinjiang and Tibet.

I also expect the President will repeat his call for China to release U.S. citizens wrongfully detained or under exit bans.

There is no substitute, of course, for regular communication at the leader level to effectively manage this complex and often tense bilateral relationship. Following the leaders call, we will continue to advance our interests through cabinet-level diplomacy, including visits to the PRC by Secretary of the Treasury Yellen in the coming days and Secretary of State Blinken in the coming weeks. We also expect a SecDef-Minister of Defense call soon. And of course, paired with this is travel by PRC officials here to the United States as well.

I've gone on for a bit, so I'll leave it there for now. And I welcome any questions you all may have.

MODERATOR: With that, we'll begin to take your questions.

Our first question will go to MJ Lee with CNN.

Q Hey. Thank you so much for doing this call. I had two questions for you.

First, before the summit in Woodside last year, it was clear that U.S. and Chinese officials had done the legwork ahead of time so that coming out of the summit the two leaders could announce the restoration of the military (inaudible) and also the announcement on curbing fentanyl. Are there specific, sort of, gettables that the Biden administration has been working towards that are likely to be announced after their phone call tomorrow?

And second, do you expect President Biden to follow up on Xi telling him in their last meeting that China doesn't want to interfere in the 2024 U.S. election? And did the President sort of take him at his word on that?

And how do you expect the President to sort of talk to President Xi about Chinese hackers targeting U.S. critical infrastructure?

SENIOR ADMINISTRATION OFFICIAL: Thanks so much for the questions. On the first one, on any announcements or outcomes from the call, you know, we approach calls a little bit differently than we do summits. You know, summits generally once a year. Really a lot of effort to go in to lay the groundwork through secretary level and other engagements to drive towards outcomes. I would take a phone call more as a check-in, so checking in on the three outcomes from the summit, trying to drive progress in that area. But don't anticipate new outcomes from this. *(*Continued On The Following Column)*

Really, this is kind of what the responsible management of the relationship looks like. In between those top-level, senior-level meetings that can occur about once a year, really finding a chance for the two leaders to talk through the tough issues and ensure that we're responsibly managing the competition between the two countries.

But as I mentioned before, I do expect a discussion of those outcomes from Woodside and, again, a goal of trying to drive additional efforts in each of those baskets.

On your question regarding election influence or interference, you know, this has been a topic at, I would say, nearly every, if not every, senior-level engagement, ensuring that we are being crystal clear about our concerns that any country interfere or influence our elections. We have undertaken a whole-of-government effort to protect our elections against these foreign attempts to interfere or influence.

And I would say, like with any message we deliver to China or to other countries, it is one of continual reinforcement of concern. And I don't think we ever really take the Chinese at their word when they say they will or will not do something. It is about verifying what the president says, verifying the results we see, the actions we see, and then continuing to underscore and press home what our concerns are.

On cyber-related issues, another longstanding concern the U.S. has had with China, of course: We've been clear both publicly and privately that we will take actions to address threats to our national security for malicious cyber activity. We've done that through attribution. We've done that through work with multilateral partners. And we've done that through other unilateral means. We'll continue to convey to the PRC these concerns about accesses on U.S. critical infrastructure, on hacking. And again, this is another issue I see as a longstanding one we're going to have to continue to message at and take action on.

MODERATOR: Next, we'll go to Ed Wong with the New York Times.

Q Hi. Thanks. A couple of questions related to America's partners in the Asia Pacific region. I was just in Taipei and I heard concerns from Taiwanese officials who insist that China has been ramping up its gray zone activity, whether it's incursions across the median line using fighter jets, or ship activities around the offshore islands. And also, we've seen, as you mentioned, the very active measures taken by Chinese ships towards the Philippine military ships around the Second Thomas Shoal.

The U.S. has rhetorically pushed back on all of these, but China continues these activities. What else can Biden be doing or saying to Xi to try and get China to limit these activities?

Second, obviously, China has great concerns about the ramping up of military ties between the U.S. and its partners and the upcoming Three Leaders Summit this month between the presidents of the U.S. and the Philippines and the prime minister of Japan. So, will Biden mention this to Xi or try and placate any anxiety Xi about this? Thanks.

SENIOR ADMINISTRATION OFFICIAL: Thanks for the questions, Ed.

On the first one, on gray zone activity, you know, I think this has been a longstanding PRC practice to (inaudible) slowly, or sometimes more quickly ramp up pressure (inaudible). Sometimes it's through military activities, sometimes it's through economic tools, some through diplomatic pressure. So I don't see anything particularly new here with PRC behavior in the Cross-Strait or South China Sea.

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Our toolkit with which we respond is similarly, I think, a wide range of different tools, whether it's diplomatic messaging. You mentioned the Japan-Philippines-U.S. trilateral and the bilateral engagements later this month. Certainly, South China Sea and what we're seeing in that space will be a topic of discussion.

Similarly, you've seen it come out in statements. G7 and otherwise are concerned about coercive activity in the South China Sea and Cross-Strait. So, messaging is a piece of that. Of course, we have economics, (inaudible).

This is just, unfortunately, business as usual. And I think pushing back on that gray zone coercion is both about U.S. actions but also working closely with allies and partners, (inaudible) doing with the trilateral later this month.

We've been clear, both from the President but all the way on down to Secretary of State and at high level as well, that U.S. alliances and partnerships are not about China. They're about the partnership. They're about the affirmative engagement. But oftentimes, Chinese action motivates a lot — much of what we talk about. But that is — you know, that is something certainly well within China's control, what it says and does, and the impact it has on U.S. partners and allies throughout the region.

But certainly, I would expect at the upcoming meetings China to be a topic of conversation. Over.

MODERATOR: Next, we'll go to Selina Wang with ABC.

Q Hi. Thanks for doing this. I have a few questions. So, on the first one, how did the call come about? Which side initiated this call? Secondly, is the President going to use this call to pressure China to use its closeness with Iran to influence the Israel-Hamas war? And just lastly, any reaction from the administration on, you know, a group of CEOs, including American CEOs, that recently met with Xi Jinping?

SENIOR ADMINISTRATION OFFICIAL: Great. Thanks so much, Selina. On the first one, on the call, you know the diplomatic dance that usually precedes scheduling up a call like this.

You know, at Woodside, just to take it back to that meeting last November, both President Biden and President Xi agreed that they would try to pick up the phone a bit more; use that tool as a means of responsibly managing the relationship, of being in closer touch at the leader level, which is so very critical in the Chinese system, on a more regular basis.

So, you know, looking back between the last two summits, November 2022 and November 2023, we did not have a leader-level call. And I think both sides realized that it's important to do that to really manage the relationship in a more responsible fashion.

So, after that agreement in Woodside last year, National Security Advisor Sullivan saw Director Wang Yi in Bangkok in January, discussed trying to do something in the first quarter of the year. And then it was, of course, a trade-back of dates and times. That 12-hour time difference does not make for easy scheduling, I can tell you. From a granular working level, not an easy thing to do. But landed on this week as a good chance to do it in almost the first quarter of 2024. *(*Continued On The Following Column)*

On your second question, on Middle East: This, of course, has come up at — most recently, Secretary Blinken, before that National Security Advisor Sullivan, both with Director Wang Yi, and of course, back in Woodside as well. We've been pretty clear in these high-level engagements of the role that the PRC should play in using its leverage with Iran, particularly to bring an end to Houthis attacks against civilian ships in the Red Sea. These are exacerbating regional tensions, instability, and of course, impacting trade flows. China should have a very direct interest in trying to limit that fallout. So I suspect that, of course, could come up in conversation again.

You asked about the U.S. CEOs meeting in Beijing. Of course, saw the reports. I think it's pretty standard for U.S. CEOs to meet with Chinese leadership when they go back to China for the CDF, the China Development Forum. I think it's often a two-way conversation. Of course, they're raising their concerns about the business environment as well.

But encourage you to reach out to them for more detail on that. I don't have any additional information.

MODERATOR: Great. Next, we will go to Demetri with the Financial Times.

Q Thank you. Good evening. Two questions. The first is: There appear to have been no, quote, unquote, "risky and coercive" intercepts by Chinese fighter jets since San Francisco. I'm just wondering, why has China shifted course there? Was it something that was agreed between the two sides, or was that a unilateral move by China?

And then separately, is there anything that the U.S. should be doing differently around the Second Thomas Shoal to make sure that that flashpoint doesn't erupt even more?

SENIOR ADMINISTRATION OFFICIAL: Thanks for the questions, Demetri. On the unsafe intercepts, you know, this has certainly been a feature of mil-mil communication going way back, just raising these areas of — raising the chances that an unsafe intercept could very quickly lead to loss of a ship, loss of an aircraft; it could lead to loss of life. Just incredibly risky behavior that could spin up into conflict, (inaudible) — but could spin us into unanticipated consequences quite quickly.

It certainly has been discussed in track two channels. It's been discussed in Secretary Blinken's meetings, National Security Advisor Sullivan, and it did come up at Woodside as well.

I would not say there was an agreement to stop doing this, but we have consistently raised our concerns about the behavior and how irresponsible it is in a relationship between — one like between the United States and China. I don't know what motivated China to pull back from that. I'd encourage you to reach out to them and see if there's any additional detail there.

But we have seen a reduction in that kind of activity, which is a welcome sign and a welcome signal of more responsible behavior in some aspects. Right? I would hasten to note, of course, we have not seen a reduction in some of the unsafe behavior around Second Thomas Shoal and around some of our other partners' engagements with China, whether it's Japan or Australia, in different areas in the Pacific. *(*Continued On The Following Page)*

So a good sign, and hope that we will see additional pullback from some of that unsafe or risky behavior.

You asked about a second question, which I foolishly did not write down.

Q Yeah. Should the U.S. be doing something differently with the Philippines around the Second Thomas Shoal to reduce the chances of that flashpoint erupting in a serious way?

SENIOR ADMINISTRATION OFFICIAL: Are you asking me if our policy is incorrect in any way, Demetri? (Laughs.)

Q I'm asking you if it's perfect.

SENIOR ADMINISTRATION OFFICIAL: (Laughs.) Look, I think this is an area — again, another one of longstanding discussion between the United States and China going back years, going back since the grounding of the Sierra Madre. It's come up in every high-level engagement I've recently been in. We are increasingly concerned that PRC's behavior in this space could lead us closer to, really, unintended consequences, both with our Philippine partners.

But of course, we've talked about the mutual defense treaty as well. We've made clear we remain committed to promoting freedom of navigation and overflight, respect for international law, peaceful resolution of disputes in the South China Sea, and close coordination with our allies and partners.

But I think it's fair to say just increasingly risky behavior in that space has us quite concerned and that I expect this will be a topic of conversation between Japan, Philippines, and the U.S. when the three leaders meet later this month both trilaterally and bilaterally.

MODERATOR: Our next question will go to Zeke Miller with the AP.

Q Thanks so much for doing this. Just a technical question in terms of the timing of the call. When this call comes off embargo, will the President have already had that conversation, or will it take place in the future? Just so we can describe it accurately in our reporting.

And then, will there be any further discussion of a potential — yet another summit this year? Obviously, it's an election year, but some other face-to-face meeting between the two leaders at the leader-to-leader level this year. Thank you.

SENIOR ADMINISTRATION OFFICIAL: I'll take the first, which is: The call will have occurred by the time the embargo lifts.

And just another logistical flag for this group: It is likely that we will move up the lifting of the embargo. So please be looking out for outreach from me on that front.

And I will hand the second question over to [senior administration official].

SENIOR ADMINISTRATION OFFICIAL: Thanks so much. And thanks for the question, Zeke.

You know, I think both sides recognize the value in more regular touch points between the leaders. We're doing that now via calls. I would anticipate, you know, depending what happens in the coming year, there would be — we would hope there would be a chance for another in-person meeting, but don't have anything even to speculate on when that might be. But certainly, value in that in-person meeting and the calls in the interim.

MODERATOR: And our last question is going to go to Aurelia End with the AFP.

Q Thanks for taking my question. I was just going to follow up. How hard do you expect the President to put pressure on President Xi regarding the PRC's links with Iran and Russia?

And another one that's not about the call itself but somehow related to the issues in the region. According to the Yonhap News Agency, North Korea just fired a ballistic missile into the Sea of Japan. And I was wondering whether you could confirm that and also comment maybe. Thank you so much.

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SENIOR ADMINISTRATION OFFICIAL: Thanks for that, Aurelia. On the first question, Iran/Russia, certainly expect the topic to be raised on the call.

You know, on Russia in particular, this has been a part of our diplomatic conversations with the PRC since the start of Russia's war on Ukraine. Started out talking about lethal assistance and concerns around that, use of tactical nuclear weapons by Russia in Ukraine. Both of those issues, I think thanks in part to the diplomacy not just by the United States with China but European partners as well, we saw more positive action from China on.

But as time has gone on, we've really seen the PRC start to help to rebuild Russia's defense industrial base, essentially backfilling the trade from European partners, helping provide the components that get us slowly towards increasing Russia's capabilities in Ukraine. And that has, of course, longer-term impacts on European security as well, as, again, you heard from the French foreign minister in Beijing over the weekend.

So, quite a bit of concern around this. China, of course, is a sovereign country; it will make its own decisions about its relationships. But quite concerned about the direction of travel on this one, and I'm certain it will come up.

You asked as well, sorry, on the missile launch. I don't have a comment on that. Will perhaps refer you to [senior administration official] to come back on the DPRK missile launch. But certainly growing concern about DPRK's provocations and the risks of its growing economic, military, and technological partnership with Russia. You know, we certainly continue to underscore these concerns to China while also reiterating our readiness to conduct diplomacy with North Korea and our determination to take steps to deter further provocations by the DPRK.

FOR IMMEDIATE RELEASE

Monday, April 8, 2024

Media Contact:

Office of Public Affairs, publicaffairs@doc.gov

Biden-Harris Administration Announces Preliminary Terms with TSMC, Expanded Investment from Company to Bring World's Most Advanced Leading-Edge Technology to the U.S.

With Up to \$6.6 Billion in Proposed CHIPS Direct Funding, TSMC Announces 2 Nanometer Technology at Second Fab and a New Third Fab to Produce 2 Nanometer or More Advanced Chips Proposed CHIPS Investment in Arizona Would Support AI, High-Performance Computing, 5G/6G Communications, and More Applications

Today, the Biden-Harris Administration announced that the U.S. Department of Commerce and TSMC Arizona Corporation (TSMC Arizona), a subsidiary of Taiwan Semiconductor Manufacturing Company Limited (TSMC), have signed a non-binding preliminary memorandum of terms (PMT) to provide up to \$6.6 billion in direct funding under the CHIPS and Science Act. This proposed funding would support TSMC's investment of more than \$65 billion in three greenfield leading-edge fabs in Phoenix, Arizona, which will manufacture the world's most advanced semiconductors.

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Through this proposed investment in TSMC Arizona, the Biden-Harris Administration would take a significant step in strengthening U.S. economic and national security by providing a reliable domestic supply of the chips that will underpin the future economy, powering the AI boom and other fast-growing industries like consumer electronics, automotive, Internet of Things, and high-performance computing. After initially announcing two fabs in the U.S., TSMC Arizona is committing to build an additional third fab before the end of the decade. With this proposed funding, TSMC Arizona would be ensuring the formation of a scaled leading-edge cluster in Arizona, creating approximately 6,000 direct manufacturing jobs, more than 20,000 accumulated unique construction jobs, and tens of thousands of indirect jobs in this decade and bringing the most advanced process technology to the United States.

“Semiconductors – those tiny chips smaller than the tip of your finger – power everything from smartphones to cars to satellites and weapons systems. America invented these chips, but over time, we went from producing nearly 40% of the world’s capacity to close to 10%, and none of the most advanced chips, exposing us to significant economic and national security vulnerabilities. I was determined to turn that around, and thanks to my CHIPS and Science Act – a key part of my Investing in America agenda – semiconductor manufacturing and jobs are making a comeback,” said **President Joe Biden**. “TSMC’s renewed commitment to the United States, and its investment in Arizona represent a broader story for semiconductor manufacturing that’s made in America and with the strong support of America’s leading technology firms to build the products we rely on every day.” “One of the key goals of President Biden’s CHIPS and Science Act was to bring the most advanced chip manufacturing in the world to the U.S., and with this announcement and TSMC’s increased investment in their Arizona campus, we are working to achieve that goal,” said **U.S. Secretary of Commerce Gina Raimondo**. “The leading-edge semiconductors that will be made here in Arizona are foundational to the technology that will define global economic and national security in the 21st century, including AI and high-performance computing. Thanks to President Biden’s leadership and TSMC’s continued investments in U.S. semiconductor manufacturing, this proposed funding would help make our supply chains more secure and create thousands of good-quality construction and manufacturing jobs for Arizonans.”

“America’s ability to maintain our competitive edge in advanced technologies like artificial intelligence is essential to igniting the next generation of research, innovation, development, and production,” said **Under Secretary of Commerce for Standards and Technology and National Institute of Standards and Technology Director Laurie E. Locascio**. “Our proposed support for TSMC Arizona represents an inflection point for America’s innovative capacity that would restore our nation’s leadership in an industry that is foundational to the U.S. and global digital economy.”

“The proposed funding from the CHIPS and Science Act would provide TSMC the opportunity to make this unprecedented investment and to offer our foundry service of the most advanced manufacturing technologies in the United States,” said **TSMC Chairman Dr. Mark Liu**. “Our U.S. operations allow us to better support our U.S. customers, which include several of the world’s leading technology companies. Our U.S. operations will also expand our capability to trailblaze future advancements in semiconductor technology.”

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“We are honored to support our customers who have been pioneers in mobile, artificial intelligence and high-performance computing, whether in chip design, hardware systems or software, algorithms, and large language models,” said **TSMC CEO Dr. C.C. Wei**. “They are the innovators driving demand for the most advanced silicon that TSMC can provide. As their foundry partner, we will help them unleash their innovations by increasing capacity for leading-edge technology through TSMC Arizona. We are thrilled by the progress of our Arizona site to date and are committed to its long-term success.” TSMC is widely recognized as a global leader in semiconductor manufacturing, having pioneered the pure-play foundry business model in 1987, and now manufactures over 90% of the world’s leading-edge logic chips. In Arizona, TSMC’s three fabs are expected to bring a suite of the most advanced process node technologies to the United States: the first fab will produce 4nm FinFET process technologies; today, TSMC Arizona announced that the second fab will produce the world’s most advanced 2nm nanosheet process technology, in addition to previously announced plans to produce 3nm process technologies; and TSMC Arizona’s third fab will produce 2nm or more advanced process technologies depending on customer demand. At full capacity, TSMC Arizona’s three fabs would manufacture tens of millions of leading-edge chips that will power products like 5G/6G smartphones, autonomous vehicles, and AI datacenter servers. TSMC Arizona expects to begin high-volume production in their first fab in the U.S. by the first half of 2025.

Thanks to investments like those at TSMC Arizona, the United States is now on track to produce roughly 20% of the world’s leading-edge chips by 2030. With total capital expenditures of more than \$65 billion, TSMC Arizona’s investment is the largest foreign direct investment in a greenfield project in U.S. history. TSMC Arizona’s investment in the United States is catalyzing meaningful investment across the supply chain, including from 14 direct suppliers that plan to construct or expand plants in Arizona or other parts of the U.S., further strengthening U.S. domestic supply chain resilience.

TSMC’s advanced chips are the backbone of core processing units (“CPUs”) for servers in large-scale datacenters and of specialized graphic processing units (“GPUs”) used for machine learning. Through the proposed funding for TSMC Arizona, the United States would onshore the critical hardware manufacturing capabilities that underpin AI’s deep language learning algorithms and inferencing techniques. This would help strengthen America’s competitive edge in science and technology innovation. Furthermore, through its Arizona fabs, TSMC will be able to better support its key customers, including U.S. companies AMD, Apple, Nvidia, and Qualcomm, among others, by addressing their leading-edge capacity demand, mitigating supply chain concerns, and enabling them to compete effectively in the ongoing digital transformation era. With the proposed incentives, TSMC Arizona has also committed to support the development of advanced packaging capabilities – the next frontier of technology innovation for chip manufacturing – through its partners in the U.S., creating the opportunity for TSMC Arizona’s customers to be able to purchase advanced chips that are made entirely on U.S. soil.

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The PMT also proposes \$50 million in dedicated funding to develop the company's semiconductor and construction workforce. To build the long-term construction workforce needed to support these projects, TSMC Arizona recently signed an agreement with the Arizona Building and Construction Trades Council. The company also plans to utilize registered apprenticeship programs to meet a 15 percent apprenticeship utilization rate on the Phoenix construction site.

As part of its commitment to developing local talent, TSMC Arizona established one of the first state-supported Registered Apprenticeship programs for semiconductor technicians, with support from the City of Phoenix. TSMC's U.S.-based recruiting team is also actively collaborating with university engineering programs around the country, including Arizona State University, University of Arizona, and Purdue University, and is partnering with Maricopa Community Colleges and career technical education programs on initiatives to develop the skills for a career in the semiconductor industry. Site employees have access to discounts, reimbursements, and priority enrollment through partnerships for local area early education and childcare centers.

In addition to the proposed direct funding of up to \$6.6 billion, the CHIPS Program Office would make approximately \$5 billion of proposed loans – which is part of the \$75 billion in loan authority provided by the CHIPS and Science Act – available to TSMC Arizona under the PMT. The company has indicated that it is planning to claim the Department of the Treasury's Investment Tax Credit, which is expected to be up to 25% of qualified capital expenditures.

As explained in its first [Notice of Funding Opportunity](#), the Department may offer applicants a PMT on a non-binding basis after satisfactory completion of the merit review of a full application. The PMT outlines key terms for a potential CHIPS incentives award, including the amount and form of the award. The award amounts are subject to due diligence and negotiation of a long-form term sheet and award documents and are conditional on the achievement of certain milestones. After the PMT is signed, the Department begins a comprehensive due diligence process on the proposed projects and continues negotiating or refining certain terms with the applicant. The terms contained in the long-form term sheet and the final award documents may differ from the terms of the PMT being announced today.

About CHIPS for America

The Department has received more than 630 statements of interest, more than 180 pre-applications and full applications for NOFO 1, and more than 160 small supplier concept plans for NOFO 2. The Department is continuing to conduct rigorous evaluation of applications to determine which projects will advance U.S. national and economic security, attract more private capital, and deliver other economic benefits to the country. The announcement with TSMC is the fifth PMT announcement the Department of Commerce has made under the CHIPS and Science Act, with additional PMT announcements expected to follow throughout 2024.

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CHIPS for America is part of President Biden's economic plan to invest in America, stimulate private sector investment, create good-paying jobs, make more in the United States, and revitalize communities left behind. CHIPS for America includes the CHIPS Program Office, responsible for manufacturing incentives, and the CHIPS Research and Development Office, responsible for R&D programs, that both sit within the National Institute of Standards and Technology (NIST) at the Department of Commerce. NIST promotes U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve our quality of life. NIST is uniquely positioned to successfully administer the CHIPS for America program because of the bureau's strong relationships with U.S. industries, its deep understanding of the semiconductor ecosystem, and its reputation as fair and trusted. Visit www.chips.gov to learn more.

Treasury Targets Network Facilitating Shipments Valued in Hundreds of Millions for Iranian Military

April 4, 2024

WASHINGTON — Today, the Department of the Treasury's Office of Foreign Assets Control (OFAC) is taking additional action against Iranian military revenue generation, targeting Oceanlink Maritime DMCC for facilitating the shipment of Iranian commodities on behalf of Iran's Armed Forces General Staff (AFGS) and Ministry of Defense and Armed Forces Logistics (MODAFL). OFAC is also identifying 13 vessels managed by Oceanlink Maritime DMCC as blocked property. The Oceanlink Maritime DMCC-managed vessel HECATE recently loaded Iranian commodities valued at over \$100 million dollars via a ship-to-ship (STS) transfer from another sanctioned tanker, the DOVER, on behalf of Iran's Sepehr Energy Jahan Nama Pars (Sepehr Energy), which OFAC sanctioned in November 2023 for its role selling Iranian commodities for the AFGS and MODAFL.

"We are focused on disrupting Iran's ability to finance its terrorist proxy and partner groups and support to Russia's war of aggression against Ukraine," said Under Secretary of the Treasury for Terrorism and Financial Intelligence Brian E. Nelson. "The United States will continue to use our full range of tools to target the illicit funding streams that enable Iran's destabilizing activities in the region and around the world."

OFAC is also updating the Specially Designated Nationals and Blocked Persons List (SDN List) to reflect that the name of OFAC-sanctioned vessel YOUNG YONG (IMO: 9194127) has been changed to the SAINT LIGHT, possibly to obfuscate its identity. The SAINT LIGHT, which is also operating under the name STELLAR ORACLE, conducted an STS transfer on March 27, 2024 with a sanctioned vessel operated by the National Iranian Tanker Company (NITC), the HAWK (IMO: 9362061), from which it loaded over \$100 million worth of Iranian commodities. The HAWK had loaded the same cargo on March 22, 2024 via an STS transfer from the vessel KOHANA (IMO: 9254082), which OFAC sanctioned on [February 27, 2024](#) for its role in attempting to ship MODAFL-owned commodities.

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Today's action is being taken pursuant to the counterterrorism authority in Executive Order (E.O.) 13224, as amended. OFAC designated Sepehr Energy pursuant to E.O. 13224, as amended, on November 29, 2023, for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of MODAFL. OFAC designated MODAFL pursuant to E.O. 13224 on March 26, 2019 for providing material support to Iran's Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF).

MODAFL'S ILLICIT COMMERCIAL ACTIVITY

Oceanlink Maritime DMCC operates a fleet of over one dozen vessels which are deeply involved in the shipment of Iranian commodities, including on behalf of Iran's military. On March 25, 2024, the DOVER (IMO: 9218466), a vessel operated by NITC and carrying over \$100 million worth of commodities on behalf of Sepehr Energy, conducted an STS transfer with the Comoros-flagged, Oceanlink Maritime-managed HECATE (IMO: 9233753), using obfuscation techniques to conceal the locations of the vessels.

Sepehr Energy has also shipped Iranian commodities using the Comoros-flagged ANTHEA (IMO: 9281683) and BOREAS (IMO: 9248497), both of which are managed by Oceanlink Maritime DMCC. Oceanlink Maritime DMCC also manages the Comoros-flagged CAPE GAS (IMO: 9002491), GLAUCUS (IMO: 9337389), OCEANUS GAS (IMO: 9397080), and HEBE (IMO: 9259185), the Antigua and Barbuda-flagged CALYPSO GAS (IMO: 9131101) and MERAKI (IMO: 9194139), the Belize-flagged ELSA (IMO: 9256468) and BAXTER (IMO: 9282522), the Panama-flagged DEMETER (IMO: 9258674) and the Cook Islands-flagged OUREA (IMO: 9350422). The CAPE GAS, GLAUCUS, OCEANUS GAS, HEBE, CALYPSO GAS, MERAKI, ELSA, BAXTER, DEMETER, and OUREA have all shipped Iranian commodities, some as recently as March of this year.

Oceanlink Maritime DMCC, which is based in the UAE, is being designated pursuant to E.O. 13224, as amended, for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, Sepehr Energy. The HECATE, ANTHEA, BOREAS, CAPE GAS, GLAUCUS, OCEANUS GAS, HEBE, CALYPSO GAS, MERAKI, ELSA, BAXTER, DEMETER, and OUREA are being identified as property in which Oceanlink Maritime DMCC has an interest.

<https://ofac.treasury.gov/recent-actions/20240404>

SANCTIONS IMPLICATIONS

As a result of today's action, all property and interests in property of the designated persons described above that are in the United States or in the possession or control of U.S. persons are blocked and must be reported to OFAC. In addition, any entities that are owned, directly or indirectly, individually or in the aggregate, 50 percent or more by one or more blocked persons are also blocked. Unless authorized by a general or specific license issued by OFAC, or exempt, OFAC's regulations generally prohibit all transactions by U.S. persons or within (or transiting) the United States that involve any property or interests in property of designated or otherwise blocked persons.

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In addition, financial institutions and other persons that engage in certain transactions or activities with the sanctioned entities and individuals may expose themselves to sanctions or be subject to an enforcement action. The prohibitions include the making of any contribution or provision of funds, goods, or services by, to, or for the benefit of any designated person, or the receipt of any contribution or provision of funds, goods, or services from any such person.

The power and integrity of OFAC sanctions derive not only from OFAC's ability to designate and add persons to the SDN List, but also from its willingness to remove persons from the SDN List consistent with the law. The ultimate goal of sanctions is not to punish, but to bring about a positive change in behavior. For information concerning the process for seeking removal from an OFAC list, including the SDN List, please refer to [OFAC's Frequently Asked Question 897 here](#).

For detailed information on [the process to submit a request for removal from an OFAC sanctions list](#), please [click here](#).

Remarks by Secretary of the Treasury Janet L. Yellen at a Press Conference in Beijing, the People's Republic of China

April 8, 2024 - *As Prepared for Delivery*

Progress Over the Past Year - I'd like to begin by speaking about the groundwork that we have laid over the past year. Last April, I outlined our Administration's approach to our economic relationship with China. President Biden and I are clear-eyed about the complexities of this relationship. Our priorities include protecting our national security and that of our allies, advancing an objective of a healthy economic relationship with a level playing field for American workers and firms, and cooperating with China where both countries can and must. It is undeniable that the U.S.-China relationship is on stronger footing today than this time last year. This was not preordained. It was the direct result of President Biden's guidance to me and his cabinet to intensify our diplomacy with China and put a floor under the relationship. Over the past year, I have met in person with my Chinese counterpart Vice Premier He Lifeng three times, including in the San Francisco Bay Area where I call home. We established Economic and Financial Working Groups that have seen substantive, in-depth economic conversations. These build on the candid and constructive meeting between President Biden and President Xi in Woodside, California last November.

Through these exchanges, my team and I have been able to advance the interests of the American people. We have set forth our own economic policy priorities and gained an improved understanding of China's. We have advocated for specific steps to ensure American workers and firms are treated fairly. We have directly communicated American national security concerns, and both countries have clarified potential misunderstandings to prevent unintentional escalation. And we have restarted cooperation on issues where our interests coincide. Last November, the Vice Premier and I took the important step of affirming key areas of agreement, including a commitment to work toward a healthy economic relationship that provides a level playing field for both countries. This progress matters. Given the size of our economies, the U.S.-China economic relationship is among the most important bilateral economic relationships in the world. And it matters deeply for American workers and firms. In turn, the American people expect their leaders to do the hard work of economic diplomacy. That's not the type that always generates headlines. It's one that keeps at it despite the noise—in order to advance a responsible approach to the complex challenges that we face. President Biden and I are committed to such an approach. And it is what brought me here to China. *(*Continued On The Following Page)*

Key Steps Forward During Trip to China

Over the past week, I have had the opportunity to make progress on issues that matter to Americans. I've had productive, direct, and extensive meetings over four days in Guangzhou and Beijing with China's economic leadership, including Premier Li, Vice Premier He, Governor Pan, and Finance Minister Lan. I have also met with those outside of the central government, including American and other foreign businesses, Chinese academics and students, and local government leaders with practical, on-the-ground economic policy responsibilities.

Let me outline three areas where we've made significant progress this week.

Exchanges on Balanced Growth in the Domestic and Global Economies

First, Vice Premier He and I agreed to launch intensive exchanges on balanced growth in the domestic and global economies. This represents an important part of my effort to advocate for American workers and businesses and gain a better understanding of certain PRC macroeconomic policies. Let me explain.

During conversations this week, I underscored again that the United States does not seek to decouple from China. Our two economies are deeply integrated, and a wholesale separation would be disastrous for both of our economies. Even as we take actions to diversify our supply chains, we seek to preserve the broader trade and investment relationship that can benefit American workers and firms. China is a key market for American products and services. And competition between our firms can spur greater dynamism and innovation in American industries. The American businesses that I spoke to in Guangzhou underscored the significant benefits of a healthy economic relationship.

At the same time, I expressed concern to senior Chinese officials that there are features of the Chinese economy that have growing negative spillovers on the U.S. and the globe. I am particularly worried about how China's enduring macroeconomic imbalances—namely its weak household consumption and business overinvestment, aggravated by large-scale government support in specific industrial sectors—will lead to significant risk to workers and businesses in the United States and the rest of the world. China has long had excess savings, but investment in the real estate sector and government-funded infrastructure had absorbed much of it. Now, we are seeing an increase in business investment in a number of “new” industries targeted by the PRC's industrial policy. That includes electric vehicles, lithium-ion batteries, and solar.

China is now simply too large for the rest of the world to absorb this enormous capacity. Actions taken by the PRC today can shift world prices. And when the global market is flooded by artificially cheap Chinese products, the viability of American and other foreign firms is put into question.

We've seen this story before. Over a decade ago, massive PRC government support led to below-cost Chinese steel that flooded the global market and decimated industries across the world and in the United States. I've made clear that President Biden and I will not accept that reality again. I know that these serious concerns are shared by our allies and partners, from advanced economies to emerging markets.

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China's excess capacity has built up over a significant amount of time, and our concerns will not be resolved in a week or a month. But the exchanges that we announced during this trip will provide a dedicated structure for us to raise our concerns about China's imbalances and overcapacity—among a wide range of other topics—in a detailed and targeted manner. We intend to underscore the need for a shift in policy by China during these talks—building on the over two hours I spent on this topic with the Vice Premier last week. This is a part of our effort to advocate for American industries and prevent the significant economic disruptions we've seen in the past.

It's important to note that I firmly believe that addressing these imbalances in an appropriate way will not only be good for the U.S. and the world. It will also be good for China's long-term productivity and growth. Importantly, we have and will continue to emphasize that our concern about overcapacity is not animated by anti-China sentiment or a desire to decouple. Rather, it is driven by a desire to prevent global economic dislocation and move toward a healthy economic relationship with China.

Anti-Money Laundering Cooperation

Second, I was pleased to announce that we are expanding cooperation with China in our shared work against illicit finance. At home, President Biden and I have taken major steps to prevent illicit actors from exploiting the U.S. financial system and to hold them accountable when they do. But the United States cannot do it alone. Weaknesses in financial regulatory regimes abroad—in China and other countries around the world—also provide an avenue for financing for criminal organizations, human traffickers, drug traffickers, fraudsters, and other malicious actors that can harm Americans and our national security. From now on, a new Joint Treasury- PBOC Cooperation and Exchange on Anti-Money Laundering, established during this trip, will enable our countries to share best practices and information to clamp down on loopholes in our respective financial systems. I've asked my team to begin these meetings very soon, and we look forward to reporting on our progress.

I'm also pleased that illicit finance is a critical component of Treasury's work with the PBOC as part of the U.S.-PRC Counternarcotics Working Group. Exchanging information on money laundering as it relates to trafficking of fentanyl and other illicit synthetic drugs can help us disrupt the flow of illicit narcotics, precursor chemicals, and equipment. The opioid epidemic is a crisis that affects every community in the United States, large or small, with more than 150 Americans dying each day. Treasury is committed to using all of our tools, including international cooperation, to counter this threat.

Financial Technical Exchanges and Broader Cooperation with China

Third, we are announcing that we will continue a series of financial technical exchanges between the United States and China. Just like military leaders need a hotline in a crisis, American and Chinese financial regulators must be able to communicate to prevent financial stresses from turning into crises with tremendous ramifications for our citizens and the international community. Over the past few months, we have hosted several exercises with China, including on how we would coordinate if there were to be a failure of a large bank in either of our countries. I'm pleased that we will hold upcoming exchanges on operational resilience in the financial sector and on financial stability implications from the insurance sector's exposure to climate risks.

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These are the types of discussions that we have with other major economies, since we know a financial issue in a foreign country can quickly cascade to ours. I am glad that we are doing the same with China.

This technical exchange builds on other spheres of cooperation. This includes our efforts to alleviate debt distress in emerging markets and developing countries. We have seen progress over the past few months on specific debt cases, such as Zambia's. I have and will continue to push as hard as I can to build greater momentum in other outstanding debt cases. I have also been pleased by the progress we have made in conversations around sustainable finance and am committed to moving our climate cooperation with China forward.

Macroeconomy and National Security

Alongside these specific steps, I also exchanged views with Chinese officials on the macroeconomy and national security. I shared my assessment that the American economy remains strong, with President Biden's historic economic agenda driving both our current resilience and long-term growth. We also discussed risks to the resilient global outlook. I was able to learn more about how the Chinese government views their current economic and financial situation and the steps that they have and are contemplating taking. These exchanges help inform our government's own economic decision-making.

We also had difficult conversations about national security. President Biden and I are determined to do all that we can to stem the flow of material that is supporting Russia's defense industrial base and helping it to wage war against Ukraine. We continue to be concerned about the role that any firms, including those in the PRC, are playing in Russia's military procurement. I stressed that companies, including those in the PRC, must not provide material support for Russia's war and that they will face significant consequences if they do. And I reinforced that any banks that facilitate significant transactions that channel military or dual-use goods to Russia's defense industrial base expose themselves to the risk of U.S. sanctions.

We also exchanged information on the use of economic tools in the national security space. Going forward, I believe that we must continue to discuss how each side defines national security in the economic sphere. While the U.S. needs to continually evaluate its national security measures given the rapid pace of technological development, we are committed to "no surprises." We have privately and publicly laid out our perspective at length, along with the principles and process that we undertake in formulating our policies. Our actions are implemented through transparent rules and regulations with ample comment periods. We would welcome transparency from the PRC on its national security actions and greater clarity on where it sees the line between national security and economic issues. This would provide greater stability to the relationship while also helping bolster confidence for firms doing business with the PRC, which is in China's interest.

Vice Premier He and I committed to stay in close touch about these issues. The United States will also be hosting our Chinese counterparts next week for the fourth meetings of the Economic and Financial Working Groups, where these issues will be discussed at length.

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Closing

Let me end with this. The work of diplomacy is not easy. But in the few months since the Woodside Summit—and certainly since I visited Beijing last summer—we have taken major steps to stabilize the U.S.-China bilateral relationship. And during this trip, we have been able to build on that foundation to move the ball forward on specific issues that matter to Americans.

That does not mean we have resolved all our differences. There is much more work to do. And it remains unclear what this relationship will endure in the months and years ahead.

But as we proceed, we must remember that its trajectory is not predestined. It depends on the choices that each of our countries make. I know that the American people expect a clear-eyed approach to China: one that proceeds with confidence about the economic strength of our country and protects our national security while finding a way forward so that both countries can live in a world of peace and prosperity. The President and I are firmly committed to continue to deliver on that.

Russian Nationals Admit to Illegally Sending Controlled Aviation Technology to Russia

Thursday, April 4, 2024

For Immediate Release
Office of Public Affairs

Defendants Orchestrated More Than \$4.5 Million in Unlawful Transactions, Sold Sensitive Aircraft Parts to Russian Companies

Two Russian nationals pleaded guilty this week to conspiracy to violate the Export Control Reform Act (ECRA) in connection with a scheme to acquire and unlawfully export controlled aviation technology to Russian end users. One of the defendants, Oleg Sergeyevich Patsulya, also pleaded guilty to conspiracy to commit international money laundering.

According to court documents, Patsulya and Vasilii Sergeyevich Besedin, both of whom reside in Miami-Dade County, Florida, conspired with each other and several others to evade U.S. export laws and regulations to send aircraft technology from the United States to Russia. According to court documents, the unlawful scheme began in or about May 2022, in the wake of Russia's most recent invasion of Ukraine and enhanced U.S. sanctions on Russia.

"These defendants smuggled sensitive aircraft technology into Russia following its unprovoked invasion of Ukraine and did so in violation of laws designed to protect America's national security," said Attorney General Merrick B. Garland. "Today's guilty pleas reflect the seriousness with which the Justice Department approaches violations of the law that endanger the United States and benefit our adversaries."

"Make no mistake, threats to U.S. economic security are threats to our national security," said FBI Director Christopher Wray. "When adversaries steal our technology to strengthen their economies, American industry suffers. The FBI and our Disruptive Technology Strike Force partners remain steadfast in our commitment to protect U.S. jobs and innovation by preventing the illegal export of sensitive technology." "By their own admission, the defendants fraudulently procured millions of dollars' worth of U.S.-origin aircraft equipment to smuggle to Russian airline companies," said Assistant Attorney General Matthew G. Olsen of the Justice Department's National Security Division. "These pleas are the latest example of the Department's commitment to bringing to justice those whose crimes enrich the Russian regime."

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Attorney Gary Restaino for the District of Arizona. "This case has been a textbook example of how a collaborative strike force can work together effectively and nimbly to dismantle a sanctions-evading scheme and to prosecute those individuals who profit from it."

"These guilty pleas are just the latest demonstration of our unwavering commitment to supporting the people of Ukraine and stopping those who attempt to prop up the Russian aviation sector," said Assistant Secretary for Export Enforcement Matthew S. Axelrod. "We continue to take aggressive enforcement against those who violate our Russia controls, including those who lie about the identities of their customers in attempts to conceal Russia as the true destination for their goods."

Beginning in or about May 2022 through on or about May 11, 2023, Patsulya and Besedin conspired with each other and several others to obtain orders for various aircraft parts and components from Russian buyers – primarily commercial airline companies – and then fulfill those requests by acquiring the parts from the United States suppliers, including a supplier based in Arizona, and unlawfully exporting the parts to Russia. The defendants admitted to knowing the items were controlled and required a license from the Department of Commerce to export.

For example, the defendants conspired to export multiple shipments of a carbon disc brake system used on Boeing 737 aircraft. When they contacted various U.S. suppliers in efforts to obtain the brake system, Besedin and Patsulya provided false information that the parts were intended for countries other than Russia. The United States was able to detain, prior to export, multiple shipments made by the defendants containing units of the brake assembly technology.

Besedin and Patsulya further admitted that they attempted to conceal the illegal exports and avoid detection by law enforcement, including by making false representations about the identities of their true customers and using straw buyer-companies located overseas to obscure the origin of revenue. For example, on Sept. 8, 2022, Besedin and Patsulya traveled to Arizona to close a deal with a U.S. company, in which the defendants sought to purchase units of the brake assembly technology. During their discussions with the company, the defendants misrepresented that the aircraft parts were going to be exported to Turkey, when they were in fact destined for Russia. The defendants made false statements both orally to the company and in the export compliance forms. In connection with this transaction, the defendants received money from a Russian airline company to make the purchase. The funds were transferred to Patsulya's American bank account from a Turkish bank account which had previously received the money from Russia.

In total, throughout the conspiracy, American bank accounts associated with MIC P&I LLC, a company controlled by Patsulya, received at least \$4,582,288 sent from Russian airline companies through Turkish bank accounts to purchase aircraft parts and components intended for unlawful export. As part of Patsulya's plea, he agreed to forfeit, among other assets, a sum of money equal to \$4,582,288.

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Both Besedin and Patsulya pleaded guilty to conspiracy to export items from the United States without a license in violation of the Export Control Reform Act, which carries a maximum penalty of 20 years in prison. Patsulya additionally pleaded guilty to one count of conspiracy to commit international money laundering, which carries a maximum penalty of 20 years in prison. A federal district court judge will determine any sentence after considering the U.S. Sentencing Guidelines and other statutory factors. Sentencing is scheduled for June 17.

The BIS Phoenix Field Office and the FBI Phoenix Field Office are conducting the joint investigation. The BIS Boston Field Office, FBI Miami Field Office, HSI Phoenix Field Office, Customs and Border Protection-Phoenix Field Office, and the U.S. Marshals Office in Miami provided valuable assistance.

Assistant U.S. Attorneys Todd M. Allison and William G. Voit for the District of Arizona and Trial Attorney Christopher M. Rigali of the National Security Division's Counterintelligence and Export Control Section are prosecuting the case. The U.S. Attorney's Office for the Southern District of Florida provided valuable assistance.

Today's actions were coordinated through the Justice and Commerce Departments' Disruptive Technology Strike Force and the Justice Department's Task Force KleptoCapture. The Disruptive Technology Strike Force is an interagency law enforcement strike force co-led by the Departments of Justice and Commerce designed to target illicit actors, protect supply chains, and prevent critical technology from being acquired by authoritarian regimes and hostile nation states. Task Force KleptoCapture is an interagency law enforcement task force dedicated to enforcing the sweeping sanctions, export restrictions and economic countermeasures that the United States has imposed, along with its allies and partners, in response to Russia's unprovoked military invasion of Ukraine.

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BUREAU OF INDUSTRY AND SECURITY

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Commerce Adds 11 Entities to the Entity List for Supporting PRC Military Modernization and Providing Support to Russia's Military

WASHINGTON, D.C. – The U.S. Commerce Department's Bureau of Industry and Security (BIS) added 11 entities to the Entity List for activities contrary to U.S. national security and foreign policy interests. The 11 entities are under the destinations of the People's Republic of China (PRC) (6), Russia (3), and the United Arab Emirates (UAE) (2). Four entities were added for support for the PRC's military modernization efforts; Two of these four also supported Military-Intelligence End Users through the acquisition of U.S.-origin items.

"We remain laser focused on our commitment to rigorously tracking down every lead we can find to stop our most critical tools from being used against us," said **Under Secretary of Commerce for Industry and Security Alan Estevez**.

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Additionally, five of the eleven entities are Russian and PRC entities were added for actions related to unmanned aerial vehicles (UAVs). Of these, four are part of a procurement network for components for UAV applications. These components are used to develop and produce Shahed-series UAVs which have been used by Iran to attack oil tankers in the Middle East and by Russia in Ukraine. Entities were also added for support for Russia's defense industrial base, and procurement of dual-use components intended for UAV applications in Iran.

"When entities act contrary to U.S. national security interests, we don't hesitate to take appropriate action to prevent them from receiving U.S. technology," said **Assistant Secretary of Commerce for Export Administration Thea D. Rozman Kendler**. "Putin's illegal and immoral war in Ukraine, in addition to the PRC's military modernization efforts, will not be aided by U.S. technologies."

"These actions make clear that U.S. technology should not – and cannot – be used to enable military modernization by China or the manufacture of drones by Iran," said **Assistant Secretary for Export Enforcement Matthew S. Axelrod**. "When Chinese or Iranian parties attempt to use U.S. technology to advance malign agendas, they forfeit their ability to receive unlicensed shipments of U.S. goods."

This rule also modifies one existing entity on the Entity List to account for an additional alias.

The text of the rule, which includes the list of entities, is available on the Federal Register's website [[here](#)]. The effective date for the rule is April 11, 2024.

Additional Background on the Entity List Process

These BIS actions were taken under the authority of the Export Control Reform Act of 2018 and its implementing regulations, the Export Administration Regulations (EAR).

The Entity List ([supplement no. 4 to part 744 of the EAR](#)) identifies entities for which there is reasonable cause to believe, based on specific and articulable facts, that the entities—including businesses, research institutions, government and private organizations, individuals, and other types of legal persons—have been involved, are involved, or pose a significant risk of being or becoming involved in activities contrary to the national security or foreign policy interests of the United States. Parties on the Entity List are subject to individual licensing requirements and policies supplemental to those found elsewhere in the EAR.

Entity List additions are determined by the interagency End-User Review Committee (ERC), comprised of the Departments of Commerce (Chair), Defense, State, Energy, and where appropriate, the Treasury. The ERC makes decisions regarding additions to, removals from, or other modifications to the Entity List. The ERC makes all decisions to add an entity to the Entity List by majority vote and makes all decisions to remove or modify an entity by unanimous vote.

Additional information on the Entity List is available on BIS's website at: <https://bis.doc.gov/index.php/policy-guidance/faqs>

For more information, visit www.bis.doc.gov.

FOR IMMEDIATE RELEASE

Monday, April 15, 2024

Media Contact:

Office of Public Affairs, publicaffairs@doc.gov
Biden-Harris Administration Announces Preliminary Terms with Samsung Electronics to Establish Leading-Edge Semiconductor Ecosystem in Central Texas

*(*Continued On The Following Column)*

Proposed CHIPS Investment of up to \$6.4 Billion Would Complement More than \$40 Billion in Private Investment to Support a Comprehensive Semiconductor Cluster for Leading-Edge Logic, Advanced Packaging, and R&D in Taylor, Texas, and Expansion of Austin Fab in Texas

Today, the Biden-Harris Administration announced that the U.S. Department of Commerce and Samsung Electronics (Samsung) have signed a non-binding preliminary memorandum of terms (PMT) to provide up to \$6.4 billion in direct funding under the CHIPS and Science Act to strengthen the resilience of the U.S. semiconductor supply chain, advance U.S. technology leadership, and fuel U.S. global competitiveness. Samsung – the only leading-edge semiconductor company that is a leader in both advanced memory and advanced logic technologies – is expected to invest more than \$40 billion dollars in the region in the coming years, and the proposed investment would support the creation of over 20,000 jobs.

The proposed investment would turn Samsung's existing presence in Texas into a comprehensive ecosystem for the development and production of leading-edge chips in the United States, including two new leading-edge logic fabs, an R&D fab, and an advanced packaging facility in Taylor, as well as an expansion to their existing Austin facility. It also demonstrates Samsung's ongoing commitment to the United States, where it has been manufacturing chips since 1996. By continuing to develop the technologies of the future in the United States, Samsung is taking steps that would work towards strengthening U.S. economic and national security and increasing the resilience of both the U.S. and global semiconductor supply chains. Because of investments like Samsung's, the United States is projected to be on track to produce roughly 20% of the world's leading-edge logic chips by 2030.

"I signed the CHIPS and Science Act to restore U.S. leadership in semiconductor manufacturing and ensure America's consumers, businesses, and military maintain access to the chips that underpin our modern technology," said **President Biden**. "This announcement will unleash over \$40 billion in investment from Samsung, and cement central Texas's role as a state-of-the-art semiconductor ecosystem, creating at least 21,500 jobs and leveraging up to \$40 million in CHIPS funding to train and develop the local workforce."

"Thanks to President Biden's CHIPS Act, Samsung is expected to invest more than \$40 billion to build a cluster of semiconductor factories here in the U.S. that will employ thousands of workers in good-paying jobs, support a robust supplier ecosystem, and fuel innovation through R&D," said **U.S. Secretary of Commerce Gina Raimondo**. "Proposed CHIPS investments like the ones we are announcing today will be a catalyst for continued private sector investments to help secure the long-term stability we need to put America at the beginning of our semiconductor supply chain and to safeguard a strong resilient ecosystem here at home. The chips that Samsung will be making in Texas are important components to our most advanced technologies, from artificial intelligence to high-performance computing and 5G communications. With President Biden's leadership and Samsung's commitment to the U.S., this proposed funding advances America's leadership in semiconductor manufacturing on the world stage."

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President Biden signed the bipartisan CHIPS and Science Act to usher in a new era of semiconductor manufacturing in the United States, bringing with it a revitalized domestic supply chain, good-paying jobs, and investments in the industries of the future. The proposed CHIPS investment in Samsung would propel Central Texas into a state-of-the-art leading-edge ecosystem, creating over 17,000 construction jobs and more than 4,500 good-paying manufacturing jobs within the next five years, while stimulating regional commercial growth, leveraging the robust two-year and four-year academic footprint in the state to produce the skilled workers needed to fill the critical roles created by the proposed investment. With these proposed investments and the formation of this ecosystem, CHIPS for America would be helping to deliver on the CHIPS Vision for Success and contributing to the development of the local communities across Central Texas.

- **Taylor, Texas:** Construct a comprehensive advanced manufacturing ecosystem, ranging from leading-edge logic to advanced packaging to R&D, transforming the small municipality of Taylor into an expansive hub of leading-edge semiconductor manufacturing. This ecosystem would include two leading-edge logic foundry fabs focused on mass production of 4nm and 2nm process technologies, an R&D fab dedicated to development and research on technology generations ahead of nodes currently in production, and an advanced packaging facility producing 3D High Bandwidth Memory and 2.5D packaging, both of which have critical artificial intelligence applications. The semiconductors that are designed and manufactured in this ecosystem would serve a wide variety of end markets – from communications, automotive, and defense industries to high-performance computing and artificial intelligence.
- **Austin, Texas:** Expand a facility that has been an economic engine for Central Texas for nearly 30 years. This proposed investment would expand the existing facilities to support the production of leading fully depleted silicon-on-insulator (FD-SOI) process technologies for critical U.S. industries, including aerospace, defense, and automotive. This proposed investment also includes commitments to collaborate with the U.S. Department of Defense.

Samsung has a proven record of workforce engagement in Texas, including robust partnerships with local education institutions — such as Austin Community College, The University of Texas at Austin, Texas A&M University, Texas State Technical College, Temple College, Manor High School and Taylor High School — to train its future semiconductor workforce. The proposed CHIPS investment also includes up to \$40 million in dedicated workforce funding. Additionally, to attract and maintain the skilled workforce necessary for its projects, Samsung is exploring options in collaboration with the Department to build supply and defray the cost of high-quality and accessible child care for its employees.

Samsung’s waste management efforts at its Austin site have received the Zero Waste to Landfill Gold Level certification for recycling or reusing 96% of waste and its wastewater pretreatment practices have received longstanding recognition from the City of Austin. The Taylor site would use leading-edge sustainability strategies to promote carbon-free electricity use, conserve water resources, and avoid or reduce other impacts to the environment.

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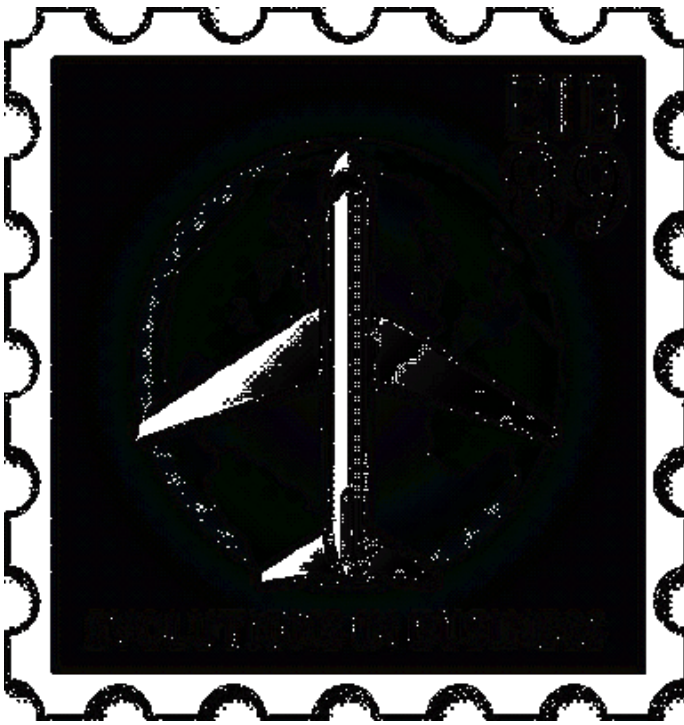
In addition to the proposed direct funding of up to \$6.4 billion, the company has indicated that it plans to claim the U.S. Department of the Treasury’s Investment Tax Credit, which is expected to cover up to 25% of qualified capital expenditures.

As explained in its first Notice of Funding Opportunity, the Department may offer applicants a PMT on a non-binding basis after satisfactory completion of the merit review of a full application. The PMT outlines key terms for a CHIPS incentives award, including the amount and form of the award. The award amounts are subject to due diligence and negotiation of a long-form term sheet and award documents and are conditional on the achievement of certain milestones. After the PMT is signed, the Department begins a comprehensive due diligence process on the proposed projects and continues negotiating or refining certain terms with the applicant. The terms contained in the long-form term sheet and the final award documents may differ from the terms of the PMT being announced today.

About CHIPS for America

The Department has received more than 630 statements of interest, more than 180 pre-applications and full applications for NOFO 1, and more than 160 small supplier concept plans for NOFO 2. The Department is continuing to conduct rigorous evaluation of applications to determine which projects will advance U.S. national and economic security, attract more private capital, and deliver other economic benefits to the country. The announcement with Samsung is the sixth PMT announcement the Department of Commerce has made under the CHIPS and Science Act, with additional PMT announcements expected to follow throughout 2024.

CHIPS for America is part of President Biden’s economic plan to invest in America, stimulate private sector investment, create good-paying jobs, make more in the United States, and revitalize communities left behind. CHIPS for America includes the CHIPS Program Office, responsible for manufacturing incentives, and the CHIPS Research and Development Office, responsible for R&D programs, that both sit within the National Institute of Standards and Technology (NIST) at the Department of Commerce. NIST promotes U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve our quality of life. NIST is uniquely positioned to successfully administer the CHIPS for America program because of the bureau’s strong relationships with U.S. industries, its deep understanding of the semiconductor ecosystem, and its reputation as fair and trusted. Visit www.chips.gov to learn more.



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