



# EIB World Trade Headlines

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## More China Export restrictions

FOR IMMEDIATE RELEASE

July 22, 2020

Acting Under Secretary Hull Describes to an International Religious Freedom Panel Recent BIS Actions to Prevent Human Rights Abuses and Religious Repression in Xinjiang, China

The Bureau of Industry and Security (BIS) employs every tool at its disposal to ensure American technology does not get into the hands of those implicated in human rights abuses and the brutal repression of Muslim minorities in the Xinjiang Uyghur Autonomous Region (XUAR) of China, Acting Under Secretary for Industry and Security Cordell Hull told the U.S. Commission on International Religious Freedom (USCIRF) today in a virtual hearing.

*(\*Continued On The Following Page)*

### NEWSLETTER NOTES

- \* More China...
- \* Treasury agrees to...
- \* China imposes ...
- \* ICE HSI seizes...
- \* Brexit is back: UK aims to prepare...
- \* Trump administration ...
- \* China Retaliates ...
- \* DAF awards ...
- \* Trump ends ...
- \* In Reversal, U.K. ...
- \* Trump Mulling ...
- \* Russia attempted to steal research...
- \* Chinese Consulate in...
- \* U.S. Secretary of ...
- \* 9th Circuit Denies...
- \* News & Events
- \* House-approved ...
- \* CHINA THREATENS RETALIATION
- \* UK bars ...
- \* Rhode Island initiative breathes new life ...
- \* EU court ...
- \* Kilroy was here

“Preventing exports to parties complicit in human rights violations and abuses committed in China’s campaign of religious repression of Muslim minority groups in XUAR remains a top priority of this administration,” said Hull. “American technologies are created in an environment of freedom and liberty. The role of BIS is to ensure our technology is not used to undermine freedom, including religious liberties, across the globe.”

The ruling Chinese Communist Party continues to carry out a campaign of repression in the XUAR, targeting Uyghurs, ethnic Kazakhs, ethnic Kyrgyz, and members of other Muslim minority groups. Since at least April 2017, the government of the People’s Republic of China has detained for indefinite periods more than one million members of Muslim minority groups in internment camps designed to eradicate detainees’ cultural and religious identities.

BIS advances U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. BIS has added a total of 48 entities to the Entity List in connection with their involvement in the implementation of China’s campaign of repression, mass arbitrary detention, forced labor, and high-technology surveillance targeted at Muslim minority groups in the XUAR, most recently by adding 11 entities on July 21, 2020.

<https://www.bis.doc.gov/index.php/all-articles/2-uncategorized/1701-acting-under-secretary-hull-describes-to-an-international-religious-freedom-panel-recent-bis-actions-to-prevent-human-rights-abuses-and-religious-repression-in-xinjiang-china>

See hearing [here](#) and his prepared statement [here](#).

## Treasury agrees to loan Postal Service \$10 billion in trade for rivals’ shipping contracts

By Jacob Bogage Washington Post, July 29, 2020, 5:17 p.m.

The Treasury Department agreed to loan the US Postal Service \$10 billion in emergency coronavirus relief funding on Wednesday in exchange for proprietary information about the mail service’s most lucrative private-sector contracts.

The Postal Service, subject to confidentiality restrictions, will provide Treasury copies of its 10 largest “negotiated service agreements,” or contracts with high-volume third-party shippers such as Amazon, FedEx, and UPS, and receive a crucial injection of cash that postal officials say will keep the debt-laden agency solvent for at least another year, according to a copy of the loan’s term sheet obtained by The Washington Post.

The Postal Service contracts with private-sector shippers for “last-mile” delivery from distribution centers to consumers’ homes, and it offers those firms small discounts because of the volume of packages they provide.



## China imposes sanctions on senators Rubio, Cruz over Xinjiang advocacy

Months of growing animosity between Beijing and Washington escalated again Monday, when China slapped sanctions on four US officials, including three Republican members of Congress, and Secretary of State Mike Pompeo declared most of China's maritime claims in the South China Sea "completely unlawful."

"The world will not allow Beijing to treat the South China Sea as its maritime empire," Pompeo said in a statement, accusing China of a "campaign of bullying" to control contested offshore resources other countries in the region also lay claim to.

Pompeo in effect upended previous US policy that maritime disputes between China and other countries in the region should be resolved through United Nations-backed arbitration. His declaration places the United States on the side of China's smaller neighbors — Brunei, Indonesia, Malaysia, the Philippines, and Vietnam. All of them reject China's claims of sovereignty in the waters around islands in the South China Sea.

Ever since a contentious meeting in Hawaii last month with China's foreign policy chief, Yang Jiechi, Pompeo has repeatedly said the United States will watch Beijing's actions to determine whether the ruling Chinese Communist Party wants to tone down the temperature on the heated rhetoric emanating from both capitals.

China and Iran have been forging new ties as the two countries have become the biggest targets of the Trump administration.

Pompeo's remarks on the South China Sea came just hours after China announced sanctions on four US officials, including prominent Republican Senators Marco Rubio of Florida and Ted Cruz of Texas, for "interfering in China's internal affairs" through their condemnation of Beijing's human rights abuses in the country's Xinjiang region.

The other Americans targeted are Sam Brownback, the Trump administration's ambassador for international religious freedom, and Representative Christopher H. Smith, a New Jersey Republican.

No details were disclosed on what the sanctions would involve, but the move comes days after the Trump administration banned three Chinese officials from visiting the United States and froze any US assets they might have.

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The measures expand the tit-for-tat hostilities between Beijing and Washington — which already encompass trade, technology, and media freedoms — into a new sphere.

China vowed to retaliate after the Trump administration used the Global Magnitsky Act to blacklist Chen Quanguo, the Communist Party secretary in the Xinjiang Uighur Autonomous Region in northwestern China and a member of the Politburo; Zhu Hailun, party secretary of the Xinjiang political and legal committee; and Wang Mingshan, party secretary of the Xinjiang public security bureau.

In addition to stopping them and their immediate family members from entering the United States, the designation freezes their US assets and prohibits Americans from doing business with them.

The sanctions were part of a broader campaign against human rights abuses in Xinjiang, coming immediately after President Trump last week signed into law the new Uighur Human Rights Policy Act.

The law, which Rubio and Senator Robert Menendez, Democrat from New Jersey, introduced, was passed unanimously by the Senate and the House.

## ICE HSI seizes website illegally selling weapon components, silencers from China in US

DETROIT — ICE's Homeland Security Investigations (HSI) Detroit and the U.S. Attorney's Office for the Eastern District of Michigan announced Monday the seizure of a website located at <http://lafoauto.com/>, following an HSI Detroit investigation with assistance from U.S. Customs and Border Protection (CBP), and the Bureau of Alcohol, Tobacco, Firearms and Explosives. Visitors to the site will now find a seizure notice bearing law enforcement shields.

HSI Detroit seized the internet domain "<http://lafoauto.com/>" pursuant to an international arms-trafficking investigation. HSI determined that more than 350 suppressors seized by law enforcement across the county were purchased from the website and smuggled into the United States from China as automotive parts. Suppressors, also called silencers, reduce the sound and muzzle flash generated from a gunshot. Without proper license, they are illegal to purchase or possess in many U.S. states. The website advertised the suppressors as automotive components but images on the site clearly resembled firearms components.

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“Investigating international arms trafficking is among HSI’s highest priorities,” said Vance Callender, HSI special agent in charge for Michigan and Ohio. “This website, operated from China, blatantly disregarded our customs laws, smuggled illegal silencers into our country, and placed the American public at risk. By shutting this website down, we keep illegal silencers off the street and protect our communities from harm.”

“This is another prime example of our commitment to keeping our communities safe,” said CBP Director of Field Operations Christopher Perry, “these collaborative efforts with our HSI and ATF partners are key to shutting down international arms trafficking operations such as <http://lafoauto.com/>.”

HSI uses the novel approach of seizing websites involved in illegal activity to suppress illicit commerce. Using a Court order, HSI redirects the suspect website to one controlled by HSI, which posts a banner with a public service announcement warning consumers against purchasing illegal goods. While HSI has been aggressive in the seizure of Internet sites used to facilitate the sale of counterfeit goods, the seizure of <http://lafoauto.com/> is the first instance in which a website wholly dedicated to illegal arms components has been seized by the agency.

This investigation was conducted with assistance from CBP and ATF.

## Brexit is back: UK aims to prepare public for Jan 1 EU break

LONDON — The British government told individuals and businesses Monday to get ready for new costs and red tape — but also an exciting “new start” — when the UK leaves the European Union’s economic embrace in less than six months.

The government unveiled details of new border arrangements and a major public information campaign to remind Britons that Brexit has not gone away, even though it has been knocked out of the headlines by the coronavirus pandemic.

Britain officially left the EU on Jan. 31, but remains inside the bloc’s economic orbit until the end of 2020.

Advertisements under the “The UK’s new start: let’s get going” campaign will warn British tourists that starting Jan. 1 they’ll need to buy health insurance, arrange paperwork for their pets, and check their telephone provider’s roaming policy when they travel to the EU.

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Companies that do business with the 27-nation bloc — which accounts for about half of Britain’s trade — will have to fill in customs declarations and potentially pay tariffs, depending on the outcome of talks about a post-Brexit free-trade deal.

The British government has softened the blow for importers by saying they would not have to complete full customs declarations or pay tariffs for the first six months of next year.

Even with a deal, the UK will need a vast new customs and border infrastructure to deal with trade that has flowed unimpeded during the UK’s 47 years as a member of the European bloc. The government announced Monday that it plans to spend \$890 million on new border posts, computer systems, and personnel.

Prime Minister Boris Johnson’s Conservative government says the burdens of Brexit will be offset by new economic opportunities as the UK strikes fresh trade deals around the world.

Cabinet Office Minister Michael Gove, who is in charge of Brexit preparations, said the full break with the bloc “will herald changes and significant opportunities, for which we all need to prepare.”

Britain and the EU have given themselves until the end of the year to strike a deal on trade, security, and a host of other issues.

But negotiations have bogged down amid wide differences on major issues including fishing rights and competition. Even with a deal, the UK faces new barriers to business with the EU. Without one, it faces an abrupt, disruptive departure that would hammer many businesses, and with the UK economy already hammered by COVID-19.

One major change will be the end of Britons’ freedom to live and work anywhere in the EU, and of Europeans’ right to settle in the UK.

More than 3 million EU citizens currently living in the UK are entitled to stay. But from Jan. 1, 2021, new immigration rules will apply to EU and non-EU citizens alike.

Britain is introducing a “points based” immigration system that will assess prospective immigrants on criteria including English-language ability, having a job offer from an approved employer, and meeting a minimum salary threshold.

The system is designed to cut the number of low-skilled migrants entering Britain from the beginning of next year, but also aims to make it easier for higher-skilled workers to get UK visas.

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Johnson said it would be “a humane and sensible system” that allows the UK to attract the best talent from around the globe.

“Although of course we are going to be taking back control and we are controlling our immigration system we’re not going to be simply slamming the gates and stopping anybody anywhere coming into this country,” he said.

Home Secretary Priti Patel announced new details of the system on Monday, including a special fast-track visa for health care workers.

Hundreds of thousands of people who work in Britain’s publicly funded National Health Service come from abroad, and many in the sector fear post-Brexit staff shortages.

The government said social care workers will not be eligible for the special health care visa. Johnson’s spokesman, James Slack, said “immigration is not the sole answer here” and that care homes should “invest more in training and development” to recruit more staff.

Martin Green, chief executive of Care England, accused the government of treating social care workers “as second-class citizens.”

London Mayor Sadiq Khan, a member of the main opposition Labour Party, accused the government of “pulling up the drawbridge to much of the talent we continue to need as a city and a country.”

“Rushing through these proposals during the middle of a global pandemic is particularly irresponsible,” he said.

The new border rules announced Monday do not apply to trade between the EU and Northern Ireland, the only part of the UK that shares a land border with the bloc. Britain and the EU have agreed that Northern Ireland’s currently invisible border with the Republic of Ireland must be kept free of customs posts and other obstacles to the movement of people and goods to maintain peace on the Emerald Isle.

## Trump administration drops plan to bar international students from US

The swift turnaround by the Department of Homeland Security came during a federal district court hearing about a lawsuit filed by Harvard University and MIT seeking a temporary injunction of the new guidelines

## China Retaliates Against Lockheed Martin on Taiwan Part Sale

China will impose unspecified sanctions on defense contractor Lockheed Martin Corp. after the U.S. approved a possible \$620 million deal to supply missile parts to Taiwan, the latest in a series of punitive actions by the superpowers as relations grow colder.

“China firmly opposes U.S. arms sales to Taiwan,” Chinese Foreign Ministry spokesman Zhao Lijian said at a briefing in Beijing on Tuesday. “We will impose sanctions on the main contractor of this arms sale, Lockheed Martin,” he said, without elaborating on what form the sanctions may take.

The move comes as tensions grow between the U.S. and China on a number of fronts, from the trade war and territorial claims in the South China Sea to the coronavirus pandemic and new security law Beijing imposed on Hong Kong. Zhao called on the U.S. to cut military ties with Taiwan -- which China considers part of its territory -- to avoid “further harm to bilateral relations.” It’s tit-for-tat between the two countries,” said Shukor Yusok, founder of aviation consultancy Endau Analytics in Malaysia. “The impact this time is going to be small, but it could be the start of more to come.”

U.S. arms manufacturers face strict limitations on what kind of business they can do with countries deemed by Washington to be strategic rivals, such as China. Lockheed generated 9.7% of its revenue in the Asia-Pacific region last year, according to data compiled by Bloomberg, though that’s not broken down by individual countries.

Lockheed shares fell less than 1% to \$351.65 at 10:11 a.m. in New York.

Sikorsky Aircraft Corp., which is owned by Lockheed, has a joint venture called Shanghai Sikorsky Aircraft Co. that does business with aviation companies and government-backed enterprises.

“It’s a futile exercise that will have no direct effect on Lockheed Martin given that they aren’t allowed to sell anything to China,” said Nick Cunningham, an analyst at Agency Partners in London. “China may have a go at disrupting supplies, but that will only further accelerate the U.S. attempts at autarky.”

Lockheed Martin has been the largest beneficiary of foreign military sales to Taiwan, with the most recent deal bringing total spending to \$8.6 billion, according to Jefferies. The sanctions are unlikely to have an impact on production, as the only Chinese-owned firm in the Lockheed supply chain makes circuit boards which are more easily replaceable than other aircraft components, analysts including Sheila Kahyaoglu said in a note.

## DAF awards contract for first lot of F-15EX fighter aircraft

The Department of the Air Force has awarded a nearly \$1.2 billion contract for its first lot of eight F-15EX fighter aircraft.

The contract, awarded to Boeing, provides for the design, development, integration, manufacturing, test, verification, certification, delivery, sustainment and modification of F-15EX aircraft, including spares, support equipment, training materials, technical data and technical support.

The F-15EX will replace the oldest F-15C/Ds in the service's inventory. Eight F-15EX aircraft were approved in the fiscal year 2020 budget and 12 were requested in the FY21 budget. The Air Force plans to purchase a total of 76 F-15EX aircraft over the five-year Future Years Defense Program.

"The F-15EX is the most affordable and immediate way to refresh the capacity and update the capabilities provided by our aging F-15C/D fleets," said Gen. Mike Holmes, commander of Air Combat Command. "The F-15EX is ready to fight as soon as it comes off the line."

The F-15EX is a two-seat fighter with U.S.-only capabilities. It features a deep magazine that can carry a load of advanced weapons. The platform also requires minimal transitional training or additional manpower and little to no infrastructure changes, ensuring the continuation of the mission.

"When delivered, we expect bases currently operating the F-15 to transition to the new EX platform in a matter of months versus years," Holmes said.

The most significant difference between the F-15EX and legacy F-15s lies in its Open Mission Systems (OMS) architecture. The OMS architecture will enable the rapid insertion of the latest aircraft technologies. The F-15EX will also have fly-by-wire flight controls, a new electronic warfare system, advanced cockpit systems, and the latest mission systems and software capabilities available for legacy F-15s.

"The F-15EX's digital backbone, open mission systems, and generous payload capacity fit well with our vision for future net-enabled warfare," said Dr. Will Roper, assistant secretary of the Air Force for Acquisition, Technology and Logistics. "Continually upgrading systems, and how they share data across the Joint Force, is critical for defeating advanced threats. F-15EX is designed to evolve from day one."

The first eight F-15EX aircraft will be fielded at Eglin Air Force Base, Florida, to support testing efforts. The delivery of the first two aircraft is scheduled for the second quarter of FY21. The remaining six aircraft are scheduled to deliver in FY23. The Air Force is using the Strategic Basing Process to determine the fielding locations for subsequent aircraft lots.

## Trump ends preferential economic treatment for Hong Kong

US President Donald Trump has signed an order to end preferential economic treatment for Hong Kong, after China enacted a new security law there.

Hong Kong would be treated "the same as mainland China", Mr Trump said. He also signed a law to impose sanctions on officials who cracked down on rights.

China has strongly criticised the move, vowing to take retaliatory action.

The US sees the security law as a threat to the freedoms Hong Kong has enjoyed under a 1984 agreement.

That special status was agreed between China and Hong Kong's former colonial power, the UK, before sovereignty was returned to Beijing in 1997.

The new security law - which outlaws criticism of China's government - is the most sweeping change to the political landscape of Hong Kong since then.

What did President Trump say?

Speaking in the Rose Garden on Tuesday, Mr Trump said his executive order would end preferential treatment for Hong Kong.

"No special privileges, no special economic treatment and no export of sensitive technologies," said the president, who first announced in May that his administration would begin paring back the territory's special status.

He also told reporters he had signed the Hong Kong Autonomy Act, which passed unanimously in Congress earlier this month. "This law gives my administration powerful new tools to hold responsible the individuals and the entities involved in extinguishing Hong Kong's freedom," Mr Trump told the news conference.

After being questioned by a journalist, the president said he had no plans to speak to Chinese President Xi Jinping. He also told reporters that "we hold China fully responsible for concealing the [coronavirus] and unleashing it upon the world". Mr Trump's own administration is under scrutiny for its response to the pandemic. The US has 3.4 million recorded cases, the highest in the world, and more than 136,000 deaths. The president's policy address digressed into a lengthy political attack on his Democratic presidential challenger, Joe Biden, ranging from trade and immigration to policing and climate change.

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How did China respond?

China's foreign ministry condemned the latest US moves, saying they were a "gross interference" in its domestic affairs. In a strongly-worded statement, it said the country would also impose retaliatory sanctions against US individuals and entities to "safeguard China's legitimate interests".

"The US attempt to obstruct the implementation of the national security law for Hong Kong will never succeed," the statement said.

"We urge the US side to correct its mistakes, refrain from implementing the act and stop interfering in China's internal affairs in any way. China will firmly respond if the US goes ahead."

Perception is reality

It was not a matter of if, but when. Scrapping Hong Kong's special status will mean companies based there will now have to evaluate what this means for them.

Hong Kong is a re-exporting hub, which means that goods that go through Hong Kong to the US but have come from somewhere else - like China for instance - have avoided the tariffs the US has slapped on China.

Now that Hong Kong's special status is gone - mainland Chinese companies may look for another place to send their goods - which would see Hong Kong's port and logistics businesses suffer.

And how much of an impact will this have on American and multinational companies using Hong Kong as a regional hub? Well, as one business consultant told me - the structural reasons for why a company would use Hong Kong as a hub are still there - low tax rates, good geographic location, convertibility of currency.

But perception is reality - and if the perception is that doing business in Hong Kong has become so much more onerous - why not decamp to mainland China or Singapore instead? Presentational grey line

What is going on with US-China relations?

Washington-Beijing ties have become increasingly frayed in recent months.

With Mr Trump facing an uphill battle for re-election this November, he and Mr Biden have accused each other of being weak on China.

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On Monday, the administration condemned China's military build-up in the South China Sea, accusing it of bullying neighbours.

Last Friday, Mr Trump told reporters on Air Force One that a "phase two" trade deal with China was in doubt because of its handling of coronavirus, which he called the "plague". The US also officially withdrew last week from the World Health Organization, which Mr Trump had accused of being beholden to China.

Last week, too, the Trump administration announced sanctions against Chinese politicians who it says are responsible for human rights violations against Muslim minorities in Xinjiang.

## In Reversal, U.K. Will Ban Huawei Equipment From Its 5G Network

Months after approving some limited involvement by the Chinese technology giant Huawei in constructing the U.K.'s next-generation wireless data network, British regulators reversed course Tuesday.

Beginning in January, U.K. regulators will implement a ban on telecom operators buying Huawei equipment. Existing Huawei 5G equipment will need to be removed from the U.K.'s 5G network by 2027.

The decision comes after relations between the U.K. and China declined sharply over China's actions in Hong Kong, and in the face of a potential rebellion by parliamentarians from the U.K.'s ruling Conservative party who are concerned about the security implications of Chinese involvement in the 5G rollout.

But it also follows sustained U.S. pressure on the U.K. and other European countries to exclude Huawei from 5G development. The U.S. says Huawei's equipment can be used for espionage by Beijing, and it has threatened to withhold intelligence from its allies that continued to use Huawei products.

In a statement Tuesday, U.S. Secretary of State Mike Pompeo said, "With this decision, the UK joins a growing list of countries from around the world that are standing up for their national security by prohibiting the use of untrusted, high-risk vendors."

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Some Huawei equipment is already integrated into various networks throughout the U.K. But it won't remain for long. "It is necessary and indeed prudent to commit to a timetable for the removal of Huawei equipment from our 5G network by 2027," Oliver Dowden, the U.K. Culture Secretary, told the House of Commons on Tuesday, adding that the requirement will be added to the Telecoms Security Bill.

"By the time of the next election, we will have implemented in law an irreversible path for the complete removal of Huawei equipment from our 5G networks," Dowden said.

The British government says it decided upon the ban in response to new U.S. sanctions imposed on Huawei in May. As part of those sanctions, companies around the world were blocked from using U.S.-made software or machinery to design Huawei equipment. That, in turn, makes it harder for Huawei to produce new products, Dowden said.

"Given the uncertainty this creates around Huawei's supply chain, the U.K. can no longer be confident it will be able to guarantee the security of future Huawei 5G equipment," Dowden said. The ban on Huawei equipment is expected to delay 5G rollout in the U.K. by at least two years, and add up to two billion pounds to the cost of the new network, he added.

In a statement, Huawei said the decision would hurt anyone in the U.K. who uses a mobile phone. "It threatens to move Britain into the digital slow lane, push up bills and deepen the digital divide," spokesperson Ed Brewster said. "Regrettably our future in the UK has become politicized," he added, asking the government to reconsider. "This is about US trade policy and not security."

In January, the U.K. announced it would allow Huawei to build part of its 5G network, despite pressure from the U.S. At the time, a senior Trump administration official told NPR the administration was disappointed by the decision.

"There is no safe option for untrusted vendors to control any part of a 5G network," the official said. "We look forward to working with the U.K. on a way forward that results in the exclusion of untrusted vendor components from 5G networks."

But when the U.S. imposed its sanctions this spring, that made it more difficult for Huawei to obtain chips and semiconductors for use in their products, said Ian Levy, the technical director for Britain's National Cyber Security Centre.

"So, it seems that Huawei's long term ability to build products using state-of-the-art technology has been severely affected," Levy said. "We think that Huawei products that are adapted to cope with the [rule] change are likely to suffer more security and reliability problems because of the massive engineering challenge ahead of them, and it will be harder for us to be confident in their use."

## Trump Mulling Travel Ban for 92 Million Chinese Communist Party Members, Says Report

The Trump administration is considering a travel ban for the 92 million members of the Chinese Communist Party. The move is still in its draft form, The New York Times reports. If it goes ahead, it would be the most dramatic action the administration has taken against China since a trade war erupted between the world's two biggest economies in 2018. On top of banning travel from China to the United States for CCP members, the presidential order could also authorize the U.S. government to revoke visas from party members who live in the States—and their families. It would reportedly cite the same statute in the Immigration and Nationality Act used in a 2017 travel ban on a number of predominantly Muslim countries.

## Russia attempted to steal research on potential covid-19 vaccines, U.S., Britain and Canada say

Shared intelligence indicates a hacking group sought to break into academic groups and labs involved in work on a possible vaccine, a report by the three nations claims.

## Chinese Consulate in San Francisco Harboring Wanted Criminal: FBI

The Chinese consulate in San Francisco is harboring a researcher who lied on her visa application about her military affiliation, the FBI alleged in court filings made public Monday. Tang Juan came to the United States on a J-1 visa and worked as a researcher at the University of California San Diego, allegedly without disclosing that she was considered active military personnel in the People's Liberation Army. She allegedly failed to note that she had worked at the Air Force Military Medical University in China, a military university. The FBI searched her apartment and interviewed her about the visa application on June 20, and she was charged with visa fraud June 26, according to the filings. In between the interview and the charges, according to the FBI, the researcher sought refuge at the consulate and has stayed there since. The day after the FBI filed the July documents with in Northern California District Court, the State Department informed Chinese diplomats they had 72 hours to close the country's consulate in Houston, a move intended to "protect American intellectual property and American's private information," according to a State Department spokesman. The State Department has begun a crackdown in recent years on alleged Chinese intellectual property theft and undisclosed ties in American academia.

## U.S. Secretary of Commerce Wilbur Ross Statement on Schrems II Ruling and the Importance of EU-U.S. Data Flows

WASHINGTON – Today, U.S. Secretary of Commerce Wilbur Ross issued the following statement on the July 16 ruling by the Court of Justice of the European Union in the Schrems II case.

“While the Department of Commerce is deeply disappointed that the court appears to have invalidated the European Commission’s adequacy decision underlying the EU-U.S. Privacy Shield, we are still studying the decision to fully understand its practical impacts,” said Secretary Wilbur Ross. “We have been and will remain in close contact with the European Commission and European Data Protection Board on this matter and hope to be able to limit the negative consequences to the \$7.1 trillion transatlantic economic relationship that is so vital to our respective citizens, companies, and governments. Data flows are essential not just to tech companies—but to businesses of all sizes in every sector. As our economies continue their post-COVID-19 recovery, it is critical that companies—including the 5,300+ current Privacy Shield participants—be able to transfer data without interruption, consistent with the strong protections offered by Privacy Shield.”

The United States participated actively in the case with the aim of providing the court with a full understanding of U.S. national security data access laws and practices and how such measures meet, and in most cases exceed, the rules governing such access in foreign jurisdictions, including in Europe. The Department of Commerce will continue to administer the Privacy Shield program, including processing submissions for self-certification and re-certification to the Privacy Shield Frameworks and maintaining the Privacy Shield List. Today’s decision does not relieve participating organizations of their Privacy Shield obligations.

## 9th Circuit Denies Appeal 3 D Gun Blue prints

11 hours ago - Law360 (July 22, 2020, 7:21 PM EDT) –

The Ninth Circuit has denied an appeal by a defense contractor and a Second Amendment group looking to revive a deal with the U.S. Department of State allowing for gun blueprints for 3D printers to be published online, saying the appeal is moot in light of new regulations

## News & Events

NOTICE  
07/16/20  
Addition of DS-6004 "Other" Type

On June 15, 2020, DDTC added an “Other” category to Block 4 of the DS-6004 Reexport/Retransfer Application – ITAR Part 123.9. Industry should select the “Other” category when submitting General Correspondence (GC) requests related to Mergers and Acquisitions, U.S. and Foreign Entity Name/Address Changes or Registration Code Changes, U.S. Persons providing defense services abroad, End-Use/End-User Change Requests, and Amendments to existing General Correspondence approvals.

DDTC will continue to accept paper submissions for these requests. However, be advised that extended processing times may apply to paper submissions. If you choose to mail in your application, please be sure to provide an email address in the transmittal letter so that DDTC can email its response to your application.

NOTICE: POLICY  
07/15/20  
Hong Kong Executive Order: Licensing Policy Change for Hong Kong

On July 14, 2020, the President signed an Executive Order that requires, among other actions, Hong Kong to be treated as the People’s Republic of China (PRC) for the purposes of the Arms Export Control Act (AECA), with a specific carve-out to support Hong Kong persons residing outside the Hong Kong Special Administrative Region or the PRC who were previously authorized access to defense articles subject to the ITAR. Hong Kong is now considered to be included in the entry for China under section 126.1(d)(1) of the ITAR and therefore subject to a policy of denial for all transfers subject to the ITAR. The U.S. government is taking this action because the Chinese Communist Party has fundamentally undermined Hong Kong’s autonomy and thereby increased the risk that sensitive U.S. items will be illegally diverted to the PRC.

FAQs

Q: The EO provides that the President is terminating export licensing suspensions for exports of defense articles to certain Hong Kong persons. Are exports of defense services to those Hong Kong persons permitted?

Continue Reading:  
[https://www.pmdtdc.state.gov/ddtc\\_public?id=ddtc\\_public\\_portal\\_news\\_and\\_events](https://www.pmdtdc.state.gov/ddtc_public?id=ddtc_public_portal_news_and_events)

## House-approved defense bill would ban TikTok from government devices

An amendment banning the use of TikTok on government devices was successfully attached to the annual defense policy approved by the House Tuesday. The proposal, brought by Rep. Ken Buck (D-Colo.), would bar federal employees from downloading the short-form video app onto government-issued devices.

The successful amendment comes amid rising scrutiny of TikTok as a national security threat because of its ties to China. TikTok's parent company, ByteDance, is based in and operates out of Beijing. A spokesperson for TikTok said in a statement to The Hill that the company's app is for "for entertainment and creative expression, which we recognize is not what federal government devices are for."

The company has maintained that it does not transfer data to the Chinese government.

The Trump administration has suggested it will ban TikTok outright because of its ties to the Chinese Communist Party, although no specific timeline or mechanism has been provided.

Now that the House approved the House National Defense Authorization Act (NDAA) by a 295 to 125 margin, the Senate will likely pass its own version of the bill, then the two chambers will come together on compromise legislation.

Buck's amendment mirrors a bill introduced in the Senate by Sens. Josh Hawley (R-Mo.) and Rick Scott (R-Fla.), making it likely that a TikTok ban will at least be considered.

The entire bill may be shot down, however, with the White House threatening to veto it over a provision that would direct the Pentagon to rename military bases currently named after Confederate leaders.

Also of note in the House version of the NDAA are two amendments from Rep. Yvette Clarke (D-N.Y.) requiring the military to report to Congress on the defense implications of deepfakes and the creation of a new working group to assess their national security risks.

The New York lawmaker also successfully attached an amendment prohibiting the Defense Department from using funds on artificial intelligence systems not vetted for algorithmic bias.

Rep. Jennifer Wexton (D-Va.) sponsored another successful amendment requiring a biennial report on foreign influence campaigns targeting American elections.

Updated at 6:40pm

## CHINA THREATENS RETALIATION

China has threatened retaliation after the U.S. ordered the closure of Beijing's consulate in Houston on Tuesday, giving staff there 72 hours to leave the country. Chinese foreign ministry spokesperson Wang Wenbin told reporters at a daily briefing Wednesday that the order constituted an "unprecedented escalation" in tensions, following months of deteriorating relations between Washington, D.C. and Beijing.

"If the U.S. continues to go down the wrong path, we will resolutely respond," Wang said, according to Bloomberg. The U.S. has consulates in the Chinese cities of Chengdu, Guangzhou, Shanghai, Shenyang and Wuhan. All could become targets of Chinese retaliation. Hu Xijin, the editor of the nationalistic state-owned Global Times newspaper, wrote on Twitter that the U.S. had ordered China to close the Houston facility in 72 hours.

"This is a crazy move," said Hu, who in recent months has emerged as a prominent Chinese social media critic of President Donald Trump's administration and its handling. Firefighters did not enter the building to put out the fire because the facility is considered Chinese territory, KTRK said.

Chief Sam Pena told the channel: "It appears to be open burning in a container within the courtyard of the Chinese consulate facility. It does not appear to be an unconfined fire but we have not been allowed access. We are standing by and monitoring." The KPRC2 channel shared video taken from people living close to the consulate, showing people around multiple small fires in the courtyard. An unnamed police source told the channel that staff at the consulate were being evicted at 4 p.m. Friday.

Relations between Washington, D.C. and Beijing have deteriorated rapidly since the outbreak of the coronavirus pandemic, which began in China and the Trump administration is blaming on the Chinese Communist Party.

Trump initially praised President Xi Jinping's handling of the outbreak, but has since pivoted to blaming Beijing for the disaster. The U.S. became the epicenter of the outbreak, and has thus far recorded 3.9 million infections and 142,000 deaths, according to Johns Hopkins University, making it the worst-affected nation in the world on both counts. The Trump administration has also imposed sanctions on Chinese officials accused of human rights abuses in China's far western province of Xinjiang and the semi-autonomous Hong Kong region. Meanwhile, the U.S. government has continued its offensive against Chinese tech companies, which it says are merely arms of the CCP.

Beijing has responded with reciprocal visa restrictions and financial measures against American officials and lawmakers who have fronted legislation allowing sanctions against China.

## UK bars Huawei from 5G network, raising tensions with China

LONDON — Britain announced Tuesday that it would ban equipment from the Chinese technology giant Huawei from the country's high-speed wireless network, a victory for the Trump administration that escalates the battle between Western powers and China over critical technology.

The move reverses a decision in January, when Britain said Huawei equipment could be used in its new 5G network on a limited basis. Since then, Prime Minister Boris Johnson has faced growing political pressure domestically to take a harder line against Beijing, and in May the United States imposed new restrictions to disrupt Huawei's access to important components. Britain's about-face signals a new willingness among Western countries to confront China, a determination that has grown firmer since Beijing last month adopted a new law to tighten its grip on Hong Kong, the semiautonomous city that was a British colony until 1997. On Tuesday, Robert O'Brien, President Trump's national security adviser, was in Paris for meetings about China with counterparts from Britain, France, Germany, and Italy.

Huawei's critics say its close ties to the Chinese government mean Beijing could use the equipment for espionage or to disrupt telecommunications — a point the company, the world's largest maker of telecommunications equipment, strongly disputes.

Arguing that Huawei created too much risk for such a critical, multibillion-dollar project, the British government said Tuesday that it would ban the purchase of new Huawei equipment for 5G networks after December, and that existing gear already installed would need to be removed from the networks by 2027.

"As facts have changed, so has our approach," Oliver Dowden, the government minister in charge of telecommunications, told the House of Commons on Tuesday afternoon. "This has not been an easy decision, but it is the right one for the UK's telecoms networks, for our national security and our economy, both now and indeed in the long run." The dispute over Huawei is an early front in a new tech cold war, with ramifications for Internet freedom and surveillance, as well as emerging technologies like artificial intelligence and robotics.

"The democratic West has woken up late to its overdependence on a country whose values are diametrically opposed to it," said Robert Hannigan, a former head of the British digital surveillance agency GCHQ, who is now an executive at the cybersecurity firm BlueVoyant. "Huawei and other Chinese companies present a real cybersecurity risk, but the primary threat comes from the intent of the Chinese Communist Party, as we see in Hong Kong."

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Huawei described the announcement Tuesday as a disappointment and "bad news for anyone in the UK with a mobile phone."

"It threatens to move Britain into the digital slow lane," said Ed Brewster, a spokesman for Huawei UK. "Regrettably our future in the UK has become politicized; this is about US trade policy and not security."

Until the latest turn of events, Britain had been welcoming of Huawei. In 2005, it was the first country to offer Huawei a foothold in Europe, now the company's largest market outside China. Huawei financed university research and a charity started by Prince Charles. And just last month, Huawei announced plans to spend 1 billion pounds (about \$1.25 billion) on a new research center in Cambridge.

The British experience shows the challenges nations face navigating the US-China rift. In moving forward with the ban, Britain risks retaliation from China, one of its largest and fastest-growing trading partners, when it is trying to craft a more open trade policy outside the European Union. China's ambassador in London, Liu Xiaoming, recently warned that Britain would "bear the consequences" of treating China with hostility.

The Huawei issue is the first of many complicated decisions we're going to have about striking the right balance between our commercial and economic engagement with China, and our security concerns about how China uses its power," said John Sawers, a former chief of the British intelligence service MI6.

Huawei is the leading provider for towers, masts and other critical equipment needed to build new wireless networks based on fifth-generation wireless technology, known as 5G.

New 5G networks are seen as essential infrastructure in an increasingly digital global economy. The networks will provide faster download speeds for phone users but offer even more important potential for commercial applications in industries such as manufacturing, health care and transportation.

In Britain, officials warned that its decision would add significant costs and delay the rollout of 5G by around two years. The new 5G wireless systems must be built atop existing networks that Huawei had a major role in constructing. In setting a 2027 deadline, the British government said moving any faster to remove Huawei gear would produce a greater risk to the security and resilience of the network.

The ban does not apply to smartphones and other consumer products made by Huawei, or equipment used in 2G, 3G, and 4G networks.

## Rhode Island initiative breathes new life into the Covid-19 Pandemic

Quonset - 07-23-2020 (PR Distribution™) -- Oxygen Treatment Hoods prove to save lives in Bolivia and around the world  
Thursday, July 23rd 2020, 12:26 PM EDT

One critical solution to the global ventilator shortage may be reducing the need for ventilators altogether.

Hood/helmet Positive Airway Pressure (HPAP) is a mode of non-invasive ventilation (NIV) that has been used in Italy and elsewhere for decades to treat Acute Respiratory Distress Syndrome, or ARDS, and with much success (Ref 1). Recently, Helmet NIV has been used specifically for Covid-19 patients as a proactive step to reduce required intubations and more sophisticated ventilators (Ref 2). Intubating a patient requires an endotracheal tube and a degree of sedation – both are invasive and the patient outcomes are not favorable. Recent reports suggest that mortality once a Covid-19 patient is on a ventilator is very high, perhaps as high as 80% (Ref 3). According to University of Chicago studies, intubations can be reduced by as much as 40% when helmet based ventilation techniques are utilized to proactively (Ref 4).

As part of their Covid-19 response, Subsalve USA of Quonset Rhode Island, a 40-year manufacturer of high performance inflatable products for undersea, defense, and other markets rapidly designed and established high volume production of an OXYGEN TREATMENT HOOD in response to the short supply of existing helmet ventilation devices on the market. At present, Subsalve is recognized as having the highest production capacity for these devices globally, and is ready to deliver in a big way.

Subsalve teamed up with Lombardi Undersea LLC, a diving technology research company, to market the new device. The OXYGEN TREATMENT HOOD technology is historically used for hyperbaric medicine, but are ideally suited for Covid-19 as they allow clinicians to control airway pressure, increase therapeutic oxygen levels, and mitigate virus exposure for healthcare workers. Lombardi's initiative has garnered support from the Rhode Island Commerce Corporation and multiple community and industry partners.

Michael Lombardi stated, "we got in this to fight the good fight – I recognized very early that diving technology could make a difference for Covid-19 and felt a social responsibility to do what I could. Covid-19 has presented the perfect storm for our team's capabilities - we are aggressively supporting emerging research (and development) with multiple partners – this is a serious pandemic and requires decisive solutions."

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The Subsalve and Lombardi team went from concept, to prototyping, to production and significant international distribution within just two months. Evaluation units are in the hands of leading US hospitals including Boston Medical Center, the University of Chicago Medical Center, multiple VA system hospitals, and dozens of others as they eagerly await Emergency Use Authorization (EUA) from the US Food and Drug Administration.

Internationally, the Rhode Island manufactured product is already saving lives. According to Dr. Cesar Vargas from Bolivia, "After this period of introduction and training of the helmets that involved many many good people as well as to overcoming numerous obstacles, finally we are back on track and ready to continue our mission, the mission of God, to saves lives and bring hope in the midst of the darkness... the helmets that your company [Subsalve USA] produces are fantastic and already saved and continue saving lives in Bolivia, our physicians are more familiar and eager to use the device and share the benefits with other hospitals."

Additionally, a Rhode Island grassroots not for profit initiative called VentilatorProject.org has brought together leaders in the field to develop, characterize, and distribute respiratory equipment to doctors to help treat COVID-19 patients. VentilatorProject has collected a large number of donated CPAP and BiPAP machines commonly used for treating sleep apnea, and have found that they can be paired with Subsalve oxygen hoods to deliver constant pressure and oxygen to patients following the CircumVent protocol. CPAP machines are commonplace around the world. Ocean Opportunity Inc., a Rhode Island based 501(c)3 not for profit organization is sponsoring the project, and additional support has been provided by numerous community donors, the University of Rhode Island, and the Rhode Island Commerce Corporation. Data from the project is being collected by researchers at NYU Langone and partner hospitals in four countries.

In the urgent interest of delivering emergent humanitarian aid, Ventilator Project has distributed evaluation kits to doctors in eleven countries, and as of this release, hospitals, provincial governments and federal ministries of health in Haiti, Nicaragua, Indonesia, and Nigeria have requested hundreds of units for use in their hospital systems. Many of these countries do not have widespread ICU ventilation capacity and this HPAP solution presents the most cost effective alternative in the Covid-19 fight that can be distributed at scale.

## EU court strikes down landmark transatlantic data privacy pact

Europe's highest court blew up the agreement that allows most data transfers between the EU and the U.S. Thursday, creating uncertainty for the tech firms that rely on the pact and likely sending officials scrambling to come up with a replacement.

Why it matters: Major global tech companies like Facebook, Google and Microsoft send troves of user data across the Atlantic daily. This decision severely complicates the future of that and sends the message that Europe doesn't accept how its citizens' data is handled stateside.

Driving the news: The Court of Justice of the European Union Thursday morning in Brussels declared as invalid Privacy Shield, the agreement that broadly governs transatlantic data transfers for most companies.

The court did, however, uphold the terms that tech companies sometimes put in contracts dealing with sending data out of Europe, meaning companies can still rely on such contractual language to transfer data across the Atlantic, as long as data protection authorities don't reject it.

Details: The case, known as "Schrems II," involves Austrian privacy advocate Max Schrems, who complained that clauses in Facebook's data contracts don't adequately protect Europeans from government surveillance in the U.S.

The court, in striking down Privacy Shield, said such surveillance makes it impossible to ensure that Europeans' data can be sufficiently protected once it enters the U.S., as it inherently collects more data than European law permits and European citizens have no redress if the U.S. government violates their privacy.

It's unlikely a U.S.-appointed ombudsperson, as established under Privacy Shield, could force American intelligence agencies to handle Europeans' data differently or would be sufficiently independent from U.S. government interests, the court concluded.

Yes, but: This doesn't mean companies can't ship data across the Atlantic ever again, but it will certainly be harder now. It signals diverging values around privacy between the U.S. and the EU, which has been critical of the U.S. over its surveillance practices and failure to pass a comprehensive data privacy law.

- Both the EU and the U.S. have maintained that Privacy Shield performs well and is supposed to be continually improved upon.
- Tech trade groups say reeling back the ability to send data internationally would disproportionately hurt small and medium-sized companies.

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Flashback: Schrems launched the case that upended the previous agreement governing data flows between the U.S. and Europe, known simply as the Safe Harbor. The U.S. and Europe then came to a new agreement, 2016's Privacy Shield, which is meant to be a "living document" and reviewed yearly.

What they're saying: "I am very happy about the judgment," Schrems said in a statement. "It is clear that the US will have to seriously change their surveillance laws, if US companies want to continue to play a role on the EU market.... As the EU will not change its fundamental rights to please the NSA, the only way to overcome this clash is for the US to introduce solid privacy rights for all people — including foreigners."

- Trade group BSA said the decision "creates a challenge for more than 5,300" firms that relied on Privacy Shield, 70% of which, it said, are small and midsize businesses. Jason Oxman, president of fellow tech trade group ITI, called it a "significant setback for all businesses and industries in the U.S. and EU who relied on Privacy Shield."
- "Today's decision is nothing short of irresponsible" said Eline Chivot, senior policy analyst at tech policy think tank ITIF's Center for Data Innovation. "In the midst of a global pandemic during which global data flows are more vital than ever, it puts all global data transfers from the EU at risk and wreaks havoc on the digital economy."
- Meanwhile, Microsoft sought to assure customers that there shouldn't be any disruption to their data flows since the court upheld the contractual clauses.

What's next: U.S. and EU regulators will now be tasked with negotiating a new agreement that can withstand a legal challenge.

- That may be a tall order, given the existential issues the ruling raises with how Europeans' data gets handled once it enters the U.S.

## Kilroy was here

He is engraved in stone in the National War Memorial in Washington, DC, - back in a small alcove where very few people have seen it. For the WWII generation, this will bring back memories. For you younger folks, it's a bit of trivia that is a part of our American history. Anyone born in 1913 to about 1950, is familiar with Kilroy. No one knew why he was so well known - but everybody seemed to get into it. So who was Kilroy?

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In 1946 the American Transit Association, through its radio program, "Speak to

America," sponsored a nationwide contest to find the real Kilroy, offering a prize of a real trolley car to the person who could prove himself to be the genuine article. Almost 40 men stepped forward to make that claim, but only James Kilroy from Halifax, Massachusetts, had evidence of his identity.

'Kilroy' was a 46-year old shipyard worker during the war who worked as a checker at the Fore River Shipyard in Quincy. His job was to go around and check on the number of rivets completed. Riveters were on piecework and got paid by the rivet. He would count a block of rivets and put a check mark in semi-waxed lumber chalk, so the rivets wouldn't be counted twice. When Kilroy went off duty, the riveters would erase the mark. Later on, an off-shift inspector would come through and count the rivets a second time, resulting in double pay for the riveters.

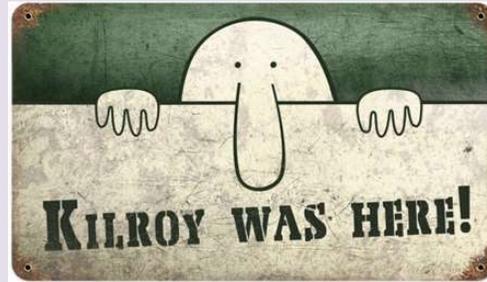
One day Kilroy's boss called him into his office. The foreman was upset about all the wages being paid to riveters, and asked him to investigate. It was then he realized what had been going on. The tight spaces he had to crawl in to check the rivets didn't lend themselves to lugging around a paint can and brush, so Kilroy decided to stick with the waxy chalk. He continued to put his check mark on each job he inspected, but added 'KILROY WAS HERE' in king-sized letters next to the check, and eventually added the sketch of the chap with the long nose peering over the fence and that became part of the Kilroy message.

Once he did that, the riveters stopped trying to wipe away his marks. Ordinarily the rivets and chalk marks would have been covered up with paint. With the war on, however, ships were leaving the Quincy Yard so fast that there wasn't time to paint them. As a result, Kilroy's inspection "trademark" was seen by thousands of servicemen who boarded the troopships the yard produced.

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*“Difficult roads often lead to beautiful destinations.”*

His message apparently rang a bell with the servicemen, because they picked it up and spread it all over Europe and the South Pacific.



Before war's end, "Kilroy" had been here, there, and everywhere on the long hauls to Berlin and Tokyo. To the troops outbound in those ships, however, he was a complete mystery; all they knew for sure was that someone named Kilroy had "been there first." As a joke, U.S. servicemen began placing the graffiti wherever they landed, claiming it was already there when they arrived.

As the war went on, the legend grew. Underwater demolition teams routinely sneaked ashore on Japanese-held islands in the Pacific to map the terrain for coming invasions by U.S. troops (and thus, presumably, were = the first GIs there). On one occasion, however, they reported seeing enemy troops painting over the Kilroy logo!

In 1945, an outhouse was built for the exclusive use of Roosevelt, Stalin, and Churchill at the Potsdam conference. Its first occupant was Stalin, who emerged and asked his aide (in Russian), "Who is Kilroy?" To help prove his authenticity in 1946, James Kilroy brought along officials from the shipyard and some of the riveters. He won the trolley car, which he gave to his nine children as a Christmas gift and set it up as a playhouse in the Kilroy yard in Halifax, Massachusetts.

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