



# EIB World Trade Headlines

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## Identify and Apply Rules of Origin

Rules of Origin for FTAs: Qualifying Products for Preferential Tariff Treatment

- I. Free Trade Agreement Rules of Origin Types
- II. Where to Find Your Rule of Origin
- III. How to Read and Apply Free Trade Agreement Rules of Origin
- IV. Other Rules of Origin/Ways to Claim FTA Benefit

### I. Free Trade Agreement Rules of Origin

Rules of origin (ROOs) are used to determine if products are eligible for duty-free or reduced duties under the FTA rules even though they may contain non-originating (non-FTA) components.

The rules determining country of origin can be very simple if a product is wholly grown or manufactured and assembled primarily in one country. However, when a finished product includes components that originate in many countries, determining origin can be more complex. Rules of origin can be very detailed and specific, and vary from agreement to agreement and from product to product.

If you are unsure of your product's qualification or if past shipments have been questioned by the FTA destination customs authority, you can make an appeal. All FTAs have a mechanism for requesting a binding advanced ruling on the goods by the destination customs authority. Consult the specific FTA for this process and contact information.

*(\*Continued On The Following Page)*

### NEWSLETTER NOTES

- \* Identify and Apply Rules of Origin
- \* Civilian Navy Engineer, 3 Others Arrested...
- \* Industry supports giving space ...
- \* Building Public Safety's Network
- \* Securing DOD telework for the long-term
- \* Exclusive: Trump...
- \* China imposes new visa restrictions ...
- \* L.A. Fashion ...
- \* Settlement ...
- \* United States Seizes Domain Names Used by ...
- \* Reuters alleges Huawei covered up ...
- \* Washington Post Details Indictment of ...

## II. Where to Find Your Rules of Origin

Rules of origin (ROOs) are listed in FTA agreements by HS product classification numbers: Australia, NAFTA, Chile, Colombia, CAFTA-DR, Korea, Singapore, Peru and Panama. Other ROOs are based on a 35% appraised value method: Israel, Jordan, Bahrain, Morocco and Oman.

Three options for finding ROOs:

The U.S. International Trade Commission website is part of the Harmonized Tariff Schedule of the United States. Open the most recent year's document "By Chapter." ROOs are in "General Notes; General Rules of Interpretation; General Statistical Notes." The ROOs for all FTAs are in one large document. The FTA is indicated at the top of the page under the page number. The ITC lists most up-to date rules (taking into account revisions to HS codes). A second option is viewing the original ROOs in an annex or in the chapter titled "Rules of Origin" of an FTA. The full FTA text is available on the United States Trade Representative (USTR) website. You may need to consult the most recent rules (in the General Notes included in the U.S. Harmonized Tariff Schedule) as opposed to the original ones since HS codes are sometimes revised every few years, necessitating the need to adjust the rules. Third Option: The Rules of Origin Facilitator provides user-friendly access to the International Trade Centre (ITC's) database of rules of origin and origin provisions in trade agreements. The ITC's Market Access Map currently contains data for more than 270 trade agreements applied by more than 190 countries as well as non-preferential regimes of the U.S., EU, and Switzerland. You can also check the CBP FTA comparison chart (origination section) which lists reference documents to where to find rules of origin.

## III. How to Read and Apply Free Trade Agreement Rules of Origin

You will find several types of rules of origin (ROOs) across the many FTAs. They are specific to each FTA and generally vary from agreement to agreement and from product to product. While the details may vary, many of the methods and formulas are repeated.

Qualifying your product under ROOs may consist of one of the following options:

- \*Wholly obtained
- \*Exclusively from originating materials
- \*35% appraised value method
- \*Tariff shift (a change in tariff classification rule) (see below)
- \*A regional value content requirement (percent-based rule) (see below);
- \*Both a change in tariff classification and a regional value content requirement (combined (a) and (b) concept) (see below)

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## Tariff Shift Rules of Origin

This type of tariff classification change shows that non-originating components have been sufficiently transformed in either the United States or FTA partner country(ies) to allow them to qualify for a preferential tariff under the FTA. The amount of non-FTA components does not matter. This transformation requires a change in the HS classification code of the non-originating components to the HS code of the final product (e.g., processing wood into furniture). Learn about tariff shift-based rules.

## Regional Value Content

Regional value content (RVC) rules require that a good include a certain percentage of FTA content. To benefit from an FTA, your product must have added value from the U.S. or FTA partner country or countries. This value might derive from the cost of FTA-sourced materials or skilled labor. Each FTA text has its own product-specific rules of origin that proscribe what RVC method/formula(s) you may use to qualify your product for preferential tariff. Remember, not all products may be subject to RVC rules:

\*RVC-based rules can be calculated using the following methods/formulas: net cost (NC), transaction value (TV), build-down, and build-up.

\*To see specific examples how these formulas work, including concept of valuation, consult Regional Value Content.

## IV. Other Rules of Origin/Ways to Claim FTA Benefit:

\*Treatment of Accessories, Spare Parts and Tools under an FTA

\*[Accumulation](#) may allow the producer to reduce the value of the non-originating materials used in the production of the good.

\*[De Minimis](#) allows the exporter to disregard a very small percentage of non-originating materials that do not meet a tariff shift rule.

\*[Direct Shipment](#) are goods which must be shipped directly from one FTA party to another FTA party.

\*[Fungible Goods and Materials](#) refers to goods or materials (components) that are interchangeable for commercial purposes and whose properties are essentially identical.

\*[Indirect Materials](#) are goods used in the production, testing, or inspection of a good but not physically incorporated into the good.

\*[Chemical Reaction Rules](#)

**Now that you applied your rule of origin and know that your product qualifies for preferential FTA tariff rate, you can certify the origin of the good.**

\*[Who fills out the FTA certificate or declaration?](#)

\*[Who claims preference for the FTA?](#)

## Civilian Navy Engineer, 3 Others Arrested on Federal Charges Alleging Theft and Sale of Government-Owned Technical Information

LOS ANGELES – Federal authorities this morning arrested four defendants across the country on charges alleging a civilian employee of the United States Navy downloaded technical drawings and manuals related to U.S. military weapons systems and sold the items to a Newport Beach company, which later resold the documents to domestic and foreign customers.

The arrests were made pursuant to a criminal complaint filed in United States District Court in Los Angeles that charges all four defendants with theft of government property. The affidavit in support of the complaint alleges that the thefts have been occurring since at least 2012, and possibly since 2008.

The four defendants arrested this morning are:

Mark Fitting, 53, of Berlin, New Jersey, an engineer employed by the Navy at a facility in Philadelphia;  
Melony Erice, 54, of Lighthouse Point, Florida, who formerly cohabitated with Fitting in New Jersey;  
George Posey IV, 36, of Costa Mesa, an employee of Newport Aeronautical Sales Corporation (NASC), a Newport Beach company that sells technical aircraft data; and  
Dean Mirabal, 52, of Costa Mesa, another NASC employee. All four defendants are expected to make initial appearances in federal court in the districts in which they were arrested. For example, Posey and Mirabal are expected to appear this afternoon in United States District Court in Santa Ana. The investigation started when military investigators began looking at Fitting in relation to claims that he “was interfering with the quality assurance process for aircraft canopies intended for use in U.S. military aircraft,” according to the affidavit. The agents with the Defense Criminal Investigative Service (DCIS) and the Naval Criminal Investigative Service (NCIS) discovered two dozen emails from Fitting’s Navy email account to Erice’s Gmail account, all of which contained government-controlled technical drawings or manuals related to various military weapons systems, including aircraft.

“[S]ome of those drawings and manuals were specifically labeled with International Traffic in Arms Regulations (ITAR) distribution warnings related to export control and destruction, as well as DOD contractor proprietary markings,” the affidavit alleges. Investigators have concluded that Fitting also had access to Erice’s Gmail account, which allowed both of them to sell the documents and drawings to NASC.

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“[B]etween September 21, 2012, and June 20, 2019, Fitting and Erice together unlawfully sold NASC at least 5,000 government-controlled technical manuals and drawings,” according to the affidavit.

Over the same nearly seven-year period, NASC issued Erice 150 checks totaling \$509,845, but the two shared the proceeds of the sales, as evidenced by Fitting having access to one of Erice’s bank accounts and Erice being an authorized user on one of Fitting’s credit cards, according to the affidavit. Furthermore, the affidavit contains a lengthy email from Erice to Fitting obtained pursuant to a search warrant that outlines how Fitting was entitled to 75 percent of the proceeds, with the balance going to Erice.

The affidavit outlines how Fitting and Erice obtained documents and sold them to NASC, sometimes obtaining specific documents at the request of NASC. “In one such instance, on December 8, 2018, at the request of Mirabal, Fitting accessed and downloaded a government-controlled technical drawing for a military landing craft air cushion that he and ERICE sold to NASC, along with at least 16 other government-controlled technical drawings and/or manuals, for \$5,025,” the affidavit states. “Knowing the drawing was unlawfully procured outside of official government channels, Posey paid Erice for the drawing,” which NASC sold to a customer. The affidavit notes that Fitting was allowed to access military computer systems after promising to safeguard controlled data. The affidavit also notes that Posey and Mirabal “are aware of the appropriate processes to procure government-controlled technical manuals and drawings and, as a result, they know that the acquisition of such manuals and drawings from Erice and/or Fitting is unlawful.”

A criminal complaint contains allegations that a defendant has committed a crime. Every defendant is presumed innocent until and unless proven guilty beyond a reasonable doubt. The felony offense of theft of government property carries a statutory maximum sentence of 10 years in federal prison.

This case is being investigated by DCIS; NCIS; Homeland Security Investigations; and the Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement. These agencies received assistance from the U.S. Air Force’s Office of Special Investigations and U.S. Army’s Criminal Investigation Command.

This case is being prosecuted by Assistant United States Attorney Keith Ellison of the International Narcotics, Money Laundering, and Racketeering Section.

Contact:

Thom Mrozek Director of Media Relations United States Attorney’s Office Central District of California (Los Angeles) (213) 894-6947

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## Industry supports giving space traffic management work to Commerce Department

by [Jeff Foust](#) — August 25, 2020

Kevin O'Connell, director of the Office of Space Commerce, said his office continued to "sharpen our pencils on issues" related to space traffic management while a congressionally mandated study on the topic was in progress. Credit: SpaceNews/Jeff Foust

WASHINGTON — Companies and organizations in the space industry support the recommendations of a recent report that the Commerce Department handle civil space traffic management (STM), but say it's more important that the government settle on an agency and move forward.

A report released Aug. 20 by the National Academy of Public Administration (NAPA) [concluded that the Commerce Department's Office of Space Commerce was best suited to take on civil STM work](#), ranking ahead of NASA, the Federal Aviation Administration and the Defense Department.

That report was mandated by Congress in the fiscal year 2020 omnibus spending bill. While the White House had assigned STM to the Commerce Department in Space Policy Directive 3 in 2018, some congressional appropriators were skeptical the department was capable of handling that work, and requested the NAPA study instead of providing the funding the department sought to start STM activities.

Industry officials said they agreed with the NAPA report's assessment. "The Department of Commerce has taken a very strong lead in wanting to be involved in space safety and space sustainability," said Chris Kunstadter, global head of space for insurer AXA XL, during an Aug. 24 panel session at the American Institute of Aeronautics and Astronautics (AIAA) Propulsion and Energy Forum. "They have the relationships within the government and access to the right people and right technologies."

However, he said the choice of the Commerce Department to handle civil STM was less important than the government making a final decision on an agency to handle those responsibilities and receive the necessary funding to carry them out. "In the end, it doesn't really matter who does it, just that it gets done," he said.

Other panelists agreed. "Quite honestly, as an owner-operator, we're ambivalent, as long as it's being done," said Walt Everetts, vice president of space operations and engineering at Iridium. He credited Secretary of Commerce Wilbur Ross for showing interest in his department taking on that responsibility. "I think it's a fine choice, but I think we've probably debated it too long."

Tim Maclay, chief executive of consulting company Celestial Insight and former director of mission systems engineering at OneWeb, said a bigger issue was exactly how space traffic management is defined, and if the scope of that work goes beyond simply notifying operators of potential collisions to a more regulatory role. "Who actually does it, I think, is less important as long as we start making some progress in doing it," he said.

"The most important thing is that there is a decision," said Clare Martin, executive vice president of operations and programs at Astroscale U.S., a company developing technologies to deorbit satellites and other debris.

The NAPA report's conclusions also have the support of an industry group. In an Aug. 24 statement, the Commercial Spaceflight Federation endorsed the report's findings, including recommendations that the Commerce Department work with other agencies and the private sector on STM. "We are pleased to see NAPA's detailed and thoughtful analysis on the need for a coordinated effort" on STM, said Eric Stallmer, president of the organization, in that statement.

The Commerce Department continued planning for space traffic management while the NAPA study was in progress. "We've had a good amount of time to, as the secretary would say, sharpen our pencils on issues," said Kevin O'Connell, director of the Office of Space Commerce, in [an Aug. 24 podcast by AIAA, Mitre Corporation and the U.S. Chamber of Commerce](#).

That work, he said, included planning for an "open architecture data repository" that Commerce seeks to develop to host space situational awareness data from government and commercial sources, as well as related policy and regulatory issues. "It did give us a lot of time to work through a whole host of issues that we know we're going to have to deal with."

The NAPA report is not the final word on which agency will take on civil STM work and with how many resources. Commerce Department officials, speaking on background last week, said they hoped that the report will convince congressional appropriators to provide the department with the funding needed to carry out that mission. The department requested \$15 million for the Office of Space Commerce in its fiscal year 2021 budget proposal, with most of that funding going to STM.

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## Building Public Safety's Network

- By Tip Osterthaler, FirstNet Authority Board Chair

I am honored to have been appointed chair of the [First Responder Network Authority \(FirstNet Authority\) Board](#). As I take the helm of the Board today, I am eager to continue to drive progress for all of public safety.

I first became involved with the FirstNet Authority in 2018, [joining the Board](#) just one year after the public-private partnership with AT&T was formed. Since then, I have had the opportunity to watch the network come to life with extensive buildout and widespread adoption among public safety. As the [Finance Committee Chair](#), I was involved in shaping some of our most important activities of the last two years – including disciplined budgets that fund our organization and guide the future of the network. The Committee also had a key role in developing the [FirstNet Authority Roadmap](#) and the [first set of network investments](#).

These experiences will enable me to hit the ground running as Chair. I also will apply the lessons I have learned as both a public servant and a private sector leader, implementing a simple, clear strategy that relies on prudent risk-taking, disciplined execution, and metrics-based analysis.

We must take full advantage of everything FirstNet has to offer as a public-private partnership. With a team of experts in both government and industry, we have a wealth of talent to draw on as we embark on the next phase of the network's evolution. Further, with a stable financial model in place, the FirstNet Authority can plan ahead with a full understanding of what funds are available to continue to build and grow public safety's network.

Ultimately, the FirstNet mission will drive our work for the years to come. It is hard to overstate the growing importance of secure, mobile broadband access for our nation's first responders. I am confident of not only the growing need for this dedicated network, but also of the opportunity we have to create something far more differentiated and valuable than the government or private industry is capable of providing alone.

As Chair, I will continue the progress and pace set by my predecessor, [Ed Horowitz](#), by building and maintaining open and productive working relations with the public safety community, industry, key government partners, and the leaders of the FirstNet Authority team. I look forward to what we will build together in the years to come.

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[Robert Tipton \(Tip\) Osterthaler](#) is chair of the FirstNet Authority Board. Tip brings decades of expertise in both the public and private sectors to his new role. After serving nearly 30 years in the U.S. Air Force, he retired as a Brigadier General and Deputy Assistant Secretary of Defense for European and NATO Policy. Later, he acted as President and CEO of SES Government Solutions, an independent subsidiary of SES, one of the world's largest satellite communications companies. He has been a member of the FirstNet Authority Board since 2018, serving as the [Finance Committee](#) chair and helping to guide the organization in the development and execution of the [first strategic network enhancements](#), totaling more than \$200 million.

## Securing DOD telework for the long-term

- By Greg Myers
- Aug 10, 2020

Today, Department of Defense missions are executed from diverse environments -- in the field, in the office, and from dining room tables as a result of COVID-19.

"We are creating a much more robust, enhanced teleworking capability," DOD CIO Dana Deasy said at an April 13 [Pentagon news conference](#). "What we've now done is we've just put a multiplier effect into the quantity, the types of services, the collaboration tools, etc. So there will be some permanency to what we have here ... that will be sustained at the end of COVID-19."

While the majority of IT and program managers (81%) say they would like to see DOD telework more frequently in the future, according to a recent [survey](#), continued remote collaboration raises important considerations around securing DOD networks, clouds and endpoints.

Defense agencies must provide the right access to the right employees so they can fulfill job requirements and continue to meet mission goals, securely and remotely. Many IT managers have made adjustments to support telework and continue mission-critical work by increasing capacity through virtual private networks (VPNs), adopting a commercial virtual remote environment, providing telework-specific security training, configuring Wi-Fi according to security best practices and ensuring devices are up-to-date on patching.

Looking ahead, DOD must take the lessons learned from the initial telework surge and scale to sustain the shift as it continues to improve operational efficiency and push modernization forward.

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## Short-term fixes to long-term solutions

For a more telework-friendly environment, DOD must focus on increasing access to government-issued devices, expanding bring-your-own-device (BYOD) policies, as it leverages cloud and promotes secure collaboration solutions. This will be a two-fold approach addressing technology and culture.

Security and access technology. As DOD considers investments in remote office equipment and secure remote collaboration tools, like chat applications, cloud-based email and video conferencing, research shows security is the top collaboration challenge for many DOD IT and program managers. Agencies should look to new or expanded capabilities to improve security and access – VPN capacity, cloud, security as-a-service models and common access card/personal identity verification readers for home access, for example. These tools should be evaluated to ensure prevention of unauthorized access on the network, while controlling authorized user access -- and importantly -- reducing credential compromise and protect users' identities.

In addition, while many DOD agencies had to ramp up the number of government-issued laptops and mobile devices to support telework in the short-term, more might be required to continue this shift. Defense agencies should consider next steps to phase in more government-issued devices to remote employees. Cultivate a collaborative culture. Equally important to the shift in security and access technology is the cultural shift in how employees communicate and collaborate as they work from any location.

Following issues around security, DOD IT and program managers report that their top collaboration challenges have been around document sharing and lack of team communication. So as defense agencies increase their use of collaboration tools, they should also increase security education and training for employees both in and out of the office to ensure both IT and end-users apply best practices. Similarly, as more employees use personal devices for remote work, DOD should reevaluate and update security education for remote employees and BYOD usage. Remember, it is a team effort to stay productive and connected. IT and program managers must work together on telework challenges and prioritize effective solutions. Communication will encourage investments in foundational improvements, such as network modernization and remote device visibility, to secure the mission at home, in the office and in the field.

## The path forward

Recent research shows that 89% of IT and 80% of program managers agree lessons learned from the initial surge in telework will leave the DOD better prepared to support warfighters at the edge. We are all learning.

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While there is no silver bullet to the sustained shift to telework, there are steps agencies can take by looking at security, collaboration and scalable networks.

## Exclusive: Trump administration weighs blacklisting China's chipmaker SMIC

WASHINGTON (Reuters) - The Trump administration is considering whether to add China's top chipmaker SMIC to a trade blacklist, a Defense Department official said, as the United States escalates its crackdown on Chinese companies. A Pentagon spokeswoman said the Defense Department was working with other agencies to determine whether to make the move against Semiconductor Manufacturing International Corporation (0981.HK), which would force U.S. suppliers to seek a difficult-to-obtain license before shipping to the company.

SMIC said in a statement on Saturday it was "in complete shock" over the news but was open to communication with U.S. government agencies in hopes of resolving any misunderstandings. The Chinese Embassy in Washington did not respond to requests for comment.

Earlier this week, the Pentagon made a proposal to place SMIC on the entity list to the End User Committee, a panel led by the Commerce Department that also includes the State and Energy Departments and makes decisions about entity listings, a person familiar with the matter said. It was not clear whether the other agencies supported the plan.

The Trump administration has often used the entity list - which now includes more than 275 China-based firms - to hit key Chinese industries, from telecoms equipment giants Huawei Technologies [HWT.UL] and ZTE (000063.SZ) over sanction violations, to surveillance camera maker Hikvision (002415.SZ) over suppression of China's Uighur minority.

SMIC is the largest Chinese chip manufacturer but is second-tier to rival Taiwan Semiconductor Manufacturing Co Ltd (2330.TW), the industry's market leader. It has sought to build out foundries for the manufacture of computer chips that can compete with TSMC.

But it is also facing new restrictions from Commerce that require Huawei's chip manufacturers to seek U.S. licenses before producing chips for the telecoms giant, if they rely on U.S. chipmaking technology. SMIC is one of Huawei's manufacturers.

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U.S. companies including Lam Research (LRCX.O), KLA Corp (KLAC.O) and Applied Materials (AMAT.O), which supply key chipmaking equipment, could be impacted by a potential entity listing, industry sources said.

While the Pentagon official did not outline the reasons for the action, SMIC's relationship to the Chinese military is under scrutiny, another U.S. official and two former officials briefed on the matter said.

In Saturday's statement, SMIC said it had no ties to the Chinese military.

The administration has increasingly trained its focus on Chinese companies that bolster Beijing's military. Last month, the United States blacklisted 24 Chinese companies and targeted individuals it said were part of construction and military actions in the South China Sea, its first such sanctions against Beijing over the disputed strategic waterway.

The Defense Department has released two lists of Chinese companies in the past few months that it claims are owned or controlled by the People's Liberation Army. The designation gives President Donald Trump the authority to place them on an even tougher blacklist but so far no action has been taken.

(Reporting by Idrees Ali, Alexandra Alper and Karen Freifeld. Editing by Chris Sanders, Howard Goller and Sonya Hepinstall)

## China imposes new visa restrictions targeting US media

In the latest round of tit-for-tat between Beijing and Washington targeting each other's media outlets, Chinese authorities have imposed new visa restrictions on foreign journalists working for US news organizations in China amid growing bilateral tensions.

In the past week, during the routine renewal of their press credentials — which are normally valid for a year — several journalists were handed a letter that said their applications were being processed, instead of a new press card. They were advised to carry the letter along with their expired press cards as proof of journalistic identity. Since their Chinese visas are tied to their press cards, these journalists were issued a new visa valid for only about two months, much shorter than the usual one year.

Chinese authorities have made clear that the temporary press credentials — and the visas linked to them — can be revoked anytime, leaving affected journalists in a limbo without knowing for sure how long they would be able to remain in China.

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Reporters being targeted include both US and non-US citizens from several major US media outlets. CNN correspondent David Culver, who is American, is among those impacted by Beijing's latest move. The Wall Street Journal has reported its senior correspondent Jeremy Page, a British national, was also hit by the measure.

In a statement released Monday, the Foreign Correspondents' Club of China (FCCC) noted that at least five journalists at four US news organizations have been affected in recent days, naming Bloomberg in addition to CNN and the Journal.

Culver was told by Chinese officials that the new restriction had nothing to do with his reporting but was a "reciprocal measure" in response to the Trump administration's treatment of Chinese journalists in the United States.

A CNN spokesperson on Sunday confirmed Culver's new shortened visa.

"One of our Beijing-based journalists was recently issued a visa valid for two months, instead of the usual twelve," the spokesperson said. "However, our presence on the ground in China remains unchanged and we are continuing to work with local authorities to ensure that continues."

The FCCC expressed "dismay" over the situation in its statement, adding that more foreign journalists based in China are expected to receive the letters instead of new press cards.

"These coercive practices have again turned accredited foreign journalists in China into pawns in a wider diplomatic conflict," the statement said. "The FCCC calls on the Chinese government to halt this cycle of tit-for-tat reprisals in what is quickly becoming the darkest year yet for media freedoms."

The US State Department revealed Sunday that its diplomats in Beijing had recently been informed of the Chinese government's impending measures targeting US media in China.

"The United States is of course troubled that these proposed actions ... will worsen the reporting environment in China," said department spokesperson Morgan Ortagus. "Beijing's actions prove time and again that the [ruling Chinese Communist Party] is afraid of independent and investigative media reporting that has only broadened and deepened the world's understanding of China for the better."

In May, Washington limited the duration of stay for most US-based Chinese journalists to 90 days. Beijing claims none of its journalists has heard back from US authorities on the status of their latest applications for visa extension, which they say has seriously disrupted their work and life.

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If no approval is granted, the Chinese journalists will have to leave the United States by early November, exactly when Culver's new Chinese visa is set to expire.

Addressing the latest development, a Chinese Foreign Ministry spokesperson on Monday insisted that foreign journalists' "reporting and life in China will not be affected in any way" even without new press cards in hand.

"For some time, the US has been escalating political oppression against Chinese media," said Zhao Lijian at a regular press briefing. "The US has been taking discriminatory actions against Chinese media and even held Chinese journalists in the US as hostages to pressure China, showing its hypocrisy on so-called freedom of the press."

"If the US truly cares about American journalists in China, it should extend visas for all Chinese journalists as soon as possible," he added. "If the US insists on going down the wrong path, China will be compelled to take necessary actions to firmly uphold our legitimate rights and interests."

Earlier this year, Beijing effectively expelled about a dozen journalists from the New York Times, the Washington Post and the Wall Street Journal after the Trump administration capped the number of Chinese nationals allowed to work in the US offices of China's state-run media, resulting in major staff cuts in these operations.

Since then, Washington has designated a growing number of US offices of China's state-run news organizations as "foreign missions," requiring them to file paperwork with US authorities on their finances and personnel. Beijing has hit back by demanding the same of multiple US outlets in China.

David Stilwell, the US State Department's Assistant Secretary for East Asia and Pacific Affairs, has said the Chinese outlets were given the designation because the US government views them as propaganda outlets "effectively controlled by the [ruling] Chinese Communist Party" rather than independent news organizations.

In a press conference in Washington last Wednesday, Stilwell said Beijing's "reciprocal" moves against US media were retaliations "grossly out of proportion to our simple desire to balance this relationship."

"There's 150 or more Chinese diplomats here — Chinese state media folks who work for the ministry of propaganda here in the US operating without restriction, and there's only a handful of American journalists left in China right now," he said. "Let's paint that picture so everybody understands what we're talking about."

## L.A. Fashion District importer and company owner agree to plead guilty to customs violations, tax offenses and pay nearly \$118 million

Case stems from ongoing ICE Homeland Security Investigations probe targeting businesses linked to money laundering or drug cartels

LOS ANGELES – Federal prosecutors have filed charges against a Fashion District clothing importer and the company's owner in a scheme to undervalue imported garments and avoid paying millions of dollars in duties to the United States. The cases also allege a tax fraud scheme in which the company's owner failed to report on tax returns millions of dollars derived from cash transactions.

In conjunction with the criminal charges filed late Tuesday, prosecutors also filed plea agreements in which Ambiance Apparel and company owner Sang Bum "Ed" Noh agreed to plead guilty to felony offenses and pay a total of \$117,897,708, which includes nearly \$36 million in cash seized from Ambiance and Noh in 2014.

The case against Ambiance and Noh was investigated by U.S. Immigration and Customs Enforcement's (ICE) Homeland Security Investigations (HSI), IRS Criminal Investigation, U.S. Customs and Border Protection, LA IMPACT, and the Long Beach, Los Angeles, Gardena and West Covina Police Departments. Support was provided by the Organized Crime Drug Enforcement Task Force.

Noh, 66, of Bel Air, agreed to plead guilty to one count of conspiracy and one count of subscribing to a false tax return, charges that carry a statutory maximum penalty of eight years in federal prison.

Ambiance Apparel – the operating name for two corporations, Ambiance U.S.A. Inc. and Apparel Line U.S.A., Inc. – agreed to plead guilty to eight counts, including conspiracy, money laundering, and customs offenses.

Court documents outline separate schemes involving Ambiance and Noh, which came to an end in September 2014 when law enforcement authorities led by HSI executed dozens of search warrants as part of an investigation into money laundering and other crimes at Fashion District businesses.

In the customs fraud scheme, Ambiance imported clothing from Asian countries and submitted fraudulent invoices to U.S. Customs and Border Protection (CBP) that undervalued the shipments and allowed Ambiance to avoid paying the full amount of tariffs owed on the imports, according to court documents.

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At Noh's direction, the Asian manufacturers prepared two invoices for the clothing ordered by Ambiance – one that usually reflected 60 to 70 percent of the actual price and was paid by letter of credit, and one that reflected the balance of the actual price and was paid by wire transfer. The first invoice, which fraudulently reduced the value of the shipment, was submitted to CBP and was used to calculate the tariffs due on the imports. As a result of this scheme, over the course of just over 4½ years, Ambiance undervalued imports by about \$82.6 million and failed to pay more than \$17.1 million in tariffs. In the plea agreement filed today, Ambiance and Noh have agreed to pay U.S. Customs and Border Protection a total of \$18.42 million, which includes the unpaid tariffs and interest accrued through 2014.

In the second scheme outlined in a statement of facts filed Tuesday, Ambiance admitted it failed to file reports with the Secretary of the Treasury that documented cash transactions of more than \$10,000. Ambiance employees received approximately 364 payments of more than \$10,000 over a two-year period – which totaled more than \$11.1 million – and the company failed to file a single Form 8300 to alert federal authorities to the cash transactions.

In conjunction with these cash transactions, Ambiance used two sets of books to record sales, one of which documented only cash transactions and was not reported to Ambiance's outside accountants. Noh also directed some of the second set of transactions to be underreported to the accountants. The lower sales figures were reported on 2011 and 2012 tax returns filed by Noh. Noh admitted that he failed to report income for those two years and now owes the Internal Revenue Service a total more than \$16.8 million, which includes unpaid taxes, penalties and interest.

Noh and Ambiance will be summonsed to appear for arraignments on September 14 in United States District Court.

Once the guilty pleas are entered on behalf of Ambiance, the company expects to be placed on probation for five years, during which time it will implement an effective anti-money laundering compliance and ethics program with an outside compliance monitor.

This matter is being prosecuted by the U.S. Attorney for the Central District of California's International Narcotics, Money Laundering, and Racketeering Section and Asset Forfeiture Section.

## Settlement Agreement between the U.S. Department of the Treasury's Office of Foreign Assets Control and Deutsche Bank Trust Company Americas

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) today announced two settlements totaling \$583,100 with Deutsche Bank Trust Company Americas (DBTCA). The settlements resolve OFAC's investigations into apparent violations of the Ukraine-Related Sanctions Regulations. Specifically, DBTCA agreed to pay \$157,500 for processing a large payment, related to a series of purchases of fuel oil, through the United States that involved a property interest of a designated oil company in Cyprus. At the time it processed the payment, DBTCA had reason to know of the designated oil company's potential interest, but did not conduct sufficient due diligence to determine whether the designated oil company's interest in the payment had been extinguished. Separately, DBTCA agreed to remit \$425,600 for processing payments destined for accounts at a designated financial institution. DBTCA failed to stop the 61 payments because it had not included in its sanctions screening tool the designated financial institution's Society for Worldwide Interbank Financial Telecommunication (SWIFT) Business Identifier Code (BIC), and DBTCA's screening tool was calibrated so that only an exact match to a designated entity would trigger further manual review. OFAC determined that neither case was voluntarily self-disclosed to OFAC, and that the apparent violations constitute non-egregious cases.

## United States Seizes Domain Names Used by Foreign Terrorist Organization

The United States has seized "Aletejahtv.com" and "Aletejahtv.org," two websites, which were unlawfully utilized by Kata'ib Hizballah, a Specially Designated National and a Foreign Terrorist Organization.

"Once again we see designated foreign terrorist organizations turning to the internet to push their message and recruit followers for their violent causes," said John Demers, Assistant Attorney General for National Security. "We will continue to fight terror recruitment and propaganda efforts in the digital world, as we do elsewhere."

(\*Continued On The Following Page)

“Our system of commerce and our infrastructure, whether physical or electronic, is to be used by lawfully,” said U.S. Attorney Byung J. “BJay” Pak for the Northern District of Georgia. “We will not allow groups that have been rightfully prohibited from obtaining goods and services in the United States to use our internet services – especially to further their terrorist agenda. This seizure underscores national collaboration and a commitment to protecting our commerce and infrastructure.”

“The District of Arizona is home to many successful technology companies whose goods and services are capable of being used by individuals across the world,” said U.S. Attorney Michael Bailey for the District of Arizona. “We will not allow members of terrorist organizations to illegally use those goods and services to further their propaganda and agenda.”

“The National Security of the United States is, and will always be, the top priority for the Bureau of Industry and Security’s Office of Export Enforcement. Attempts to surreptitiously utilize U.S. based online networks and services to promote Iran backed terrorist propaganda will immediately be disrupted, disabled, and seized,” said P. Lee Smith, Performing the Non-exclusive Functions and Duties of the Assistant Secretary for Export Enforcement at the Department of Commerce. “The Bureau of Industry and Security is committed to ensuring the stability of the Iraqi government and protecting our troops and Allied Forces against terrorist acts of violence”

On July 2, 2009, the U.S. Secretary of Treasury designated Kata’ib Hizballah, an Iran-backed terrorist group active in Iraq, as a Specially Designated National for committing, directing, supporting, and posing a significant risk of committing acts of violence against Coalition and Iraqi Security Forces. On the same day, the U.S. Department of State designated Kata’ib Hizballah as a Foreign Terrorist Organization for committing or posing a significant risk of committing acts of terrorism.

“Aletejahtv.com” and “Aletejahtv.org,” acted as Kata’ib Hizballah’s media arm and published internet communications such as videos, articles, and photographs. These communications included numerous articles designed to further Kata’ib Hizballah’s agenda, particularly destabilizing Iraq and recruiting others to join their cause. They also functioned as a live online television broadcast channel, “Aletejah TV.” Portions of the communications expressly noted that they were published by Kata’ib Hizballah.

Federal law prohibits designated entities like Kata’ib Hizballah from obtaining or utilizing goods or services, including website and domain services, in the United States without a license from the Office of Foreign Assets Control.

*(\*Continued On The Following Column)*

“Aletejahtv.com” and “Aletejahtv.org” are domain names that are owned and operated by a United States company based in Scottsdale, Arizona. Kata’ib Hizballah did not obtain a license from the Office of Foreign Assets Control prior to utilizing the domain names.

On August 31, 2020, pursuant to a seizure warrant, the United States seized “Aletejahtv.com” and “Aletejahtv.org.” Visitors to the site received the following message:



This seizure was investigated by the Department of Commerce, Bureau of Industry and Security.

Assistant U.S. Attorneys from the Northern District of Georgia, Assistant U.S. Attorneys from the District of Arizona, and trial lawyers from the Department of Justice National Security Division prosecuted the seizure.

For further information please contact the U.S. Attorney’s Public Affairs Office at [USAGAN.PressEmails@usdoj.gov](mailto:USAGAN.PressEmails@usdoj.gov) or (404) 581-6016. The Internet address for the U.S. Attorney’s Office for the Northern District of Georgia is <http://www.justice.gov/usao-ndga>.

## Reuters alleges Huawei covered up ownership of Iranian affiliate

ZD Net, 4 Jun 2020: A series of documents reportedly reveal that Huawei covered up its ownership and control of an Iranian affiliate, Skycom, as part of a scheme to sell prohibited US technology in Iran. Reported by Reuters, a series of documents claim that Huawei effectively controlled Skycom by performing actions such as shutting down Skycom's Tehran office, forming a separate business in Iran to take over millions of dollars' worth of Skycom contracts, and having its employees manage Skycom "to urgently avoid the risks of media hype". Huawei has long described Skycom as a separate local business partner that it sold over 10 years ago, and has denied accusations from the US that it sold technology in Iran illegally by using Skycom as a false subsidiary. "Huawei employees allegedly told banking partners that Huawei had sold its ownership in Skycom, but these claims were false," United States then Attorney-General Matthew Whitaker said last year. Huawei and its CFO Meng Wanzhou, who has also been accused in the indictment, have so far denied the criminal charges, which include bank fraud and wire fraud, among other allegations. Skycom, which was registered in Hong Kong and was dissolved in 2017, is also a defendant. Both Huawei and ZTE equipment have since been banned from US networks where the kit is purchased with federal money, and are designated as national security threats by the US Federal Communications Commission. The two companies are also in the US' Entity List, which prevents them from buying parts and components from US companies without government approval.

*Web Notice: The Directorate of Defense Trade Controls (DDTC) is currently in the process of modernizing its IT systems. During this time period, we anticipate there may be delays in response times and time to resolve IT related incidents and requests. We apologize for any inconvenience, and appreciate your patience while we work to improve DDTC services. If you need assistance, please contact the DDTC Service Desk at (202) 663-2838, or email at [DtradeHelpDesk@state.gov](mailto:DtradeHelpDesk@state.gov) (06.28.16)*

*“If you change the way you look at things, the things you look at will change.”*

## Washington Post Details Indictment of Thirty-three Individuals for Multibillion-Dollar Scheme to Evade Sanctions on North Korea

In a May 28 report, the Washington Post highlighted a recently unsealed indictment charging 28 North Korean nationals and five Chinese nationals for their alleged involvement in a \$2.5 billion international money laundering scheme to violate U.S. sanctions on North Korea. According to the article, individuals working on behalf of the Foreign Trade Bank, North Korea's primary foreign currency bank and the subject of U.S. sanctions, established more than 250 front companies and bank branches across the globe to mask payments for North Korea's nuclear weapons and missile program that illicitly transited the U.S. financial system. The report noted the U.S. government has also filed asset forfeiture charges and seized more than \$63 million.

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