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Pompeo says Hong Kong is no longer autonomous from China, raising potential consequences for trade

The U.S. certification that the former British colony is no longer politically autonomous could have a far-reaching effect on its special trading status. “Hong Kong does not continue to warrant” the same treatment under U.S. laws that it enjoyed before it was turned over to China in 1997, Secretary of State Mike Pompeo said in a statement.

“No reasonable person can assert today that Hong Kong maintains a high degree of autonomy from China, given facts on the ground,” Secretary of State Mike Pompeo said.Credit...Pool photo by Nicholas Kamm

NEWSLETTER NOTES

The case to extradite Huawei CFO Meng Wanzhou from Canada to the United States can continue, judge rules

US prosecutors want Meng to stand trial on multiple charges, including bank fraud and violating US sanctions against Iran.

The decision to continue the case could have huge political implications for Canada, the United States and China. China's government called the ruling a "grave political incident" in a statement posted to the Chinese Embassy in Ottawa's official Twitter account Wednesday.

Following a four-day hearing in Vancouver's Supreme Court in January, Holmes ruled Wednesday that the US allegations meet the key Canadian extradition standard of "double criminality," which examines whether the conduct alleged by the country requesting the extradition could be considered a crime under Canadian law. The double criminality standard is a preliminary step in the extradition case; now that the judge determined it has been met, Meng's case can proceed.

The ruling does not determine Meng's guilt or innocence, only whether her actions would be considered a crime under Canadian law. Meng and Huawei have denied the US allegations. Meng has also claimed that she was unlawfully detained, searched and interrogated by Canadian border officials during her arrest, allegations her lawyers say invalidate the extradition case against her. Those claims will be taken up for consideration by the court in upcoming hearings this summer as the extradition case proceeds.

Canada's Department of Justice said in a statement Wednesday that another hearing later this year will "determine whether or not the alleged conduct provides sufficient evidence of the offense of fraud to meet the test for committal under the Extradition Act."

"An independent judge will determine whether that test is met," the statement reads. "This speaks to the independence of Canada's extradition process."

Huawei is "disappointed" with the ruling, according to a statement the company posted to Twitter on Wednesday.

"We expect that Canada's judicial system will ultimately prove Ms. Meng's innocence," the statement reads. Meng, the daughter of Huawei's billionaire founder Ren Zhengfei, was arrested at the request of the United States in December 2018 at the Vancouver airport, where she had to surrender her passports and agree to live in one of two homes she owns in the city.

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US authorities want Meng to be extradited to New York to face federal charges related to allegations that she lied to bank HSBC about Huawei's relationship with its Iran-based affiliate Skycom, in order to receive funding that violated US economic sanctions against Iran. In February, the US government added racketeering and conspiracy to steal trade secrets charges to the indictment. Huawei also denied the new allegations. The charges are from one of several active US cases against Huawei.

During the January hearing, lawyers for Meng argued that what she's accused of does not break Canadian law, because the US allegations hinge on sanctions against Iran that do not exist in Canada. But prosecutors from Canada's Attorney General's office argued that the allegations, which include lying to a bank with the potential for causing loss, would amount to a Canadian fraud charge, and that Meng should therefore be committed for extradition.

"Lying to a bank in order to get financial services that creates a risk of economic prejudice is fraud," Robert Frater, a lawyer for the attorney general, said during the January hearing, adding that the actions put HSBC at risk of US penalties for sanctions violations and reputational damage.

The judge's Wednesday ruling came to a similar conclusion. Holmes wrote in the ruling that Meng's argument that double criminality was not met because of the application of US sanctions "would give fraud an artificially narrow scope in the extradition context." A spokesman for the US Department of Justice said in a statement on the ruling that "the United States thanks the Government of Canada for its continued assistance pursuant to the U.S./Canada Extradition Treaty in this ongoing matter."

The extradition case has pulled Canada into political tensions between the United States and China. The Chinese Embassy in Ottawa issued a statement Wednesday urging Canada to release Meng. "The United States and Canada, by abusing their bilateral extradition treaty and arbitrarily taking forceful measures against Ms. Meng Wanzhou, gravely violated the lawful rights and interests of the said Chinese citizen," the embassy's statement read in part.

The embassy accused the United States of trying to "bring down Huawei and other Chinese high-tech companies," adding that Canada has been acting "as an accomplice of the United States." The United States has taken a number of actions to hamper Huawei's business over the past year and a half, as the country tangles with China on several fronts, ranging from trade and technology to politics. The extradition proceedings were complicated after two Canadians, Michael Kovrig and Michael Spavor, were detained in China in December 2019.

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Beijing has charged them with espionage and denies that their arrests are related to Meng's case, but they have been seen in Canada as a form of retaliation.

"We have seen China linking those two cases from the very beginning. Canada has an independent judicial system, that functions without interference or override by politicians," said Canadian Prime Minister Justin Trudeau on Tuesday, ahead of the ruling in Meng's case. "China doesn't work quite the same way and don't seem to understand that we do have an independent judiciary from political intervention. We will continue to uphold the independence of our judicial system while we advocate for the release of the 2 Michaels."

Other Canadian officials, including Minister of Foreign Affairs François-Philippe Champagne, have also stressed the independence of the country's judicial system as Meng's case works its way through the courts. "We will continue to pursue principled engagement with China to address our bilateral differences and to cooperate in areas of mutual interest," Champagne said.

U.S. Notifies Full Compliance in WTO Aircraft Dispute

Termination of Washington State Tax Break Eliminates Any Basis for EU tariffs

Washington, D.C. – The United States notified the World Trade Organization (WTO) today that it has fully complied in the dispute brought by the European Union (EU) regarding U.S. subsidies to Boeing. In April 2019, the WTO found that the Washington State Business & Occupation (B&O) tax rate reduction continued to breach WTO subsidy rules. At that time, the EU was unsuccessful on the remainder of its challenges to 29 state and federal programs alleged to harm Airbus.

Washington enacted Senate Bill 6690 on March 25, 2020, which eliminated a preferential tax rate for aerospace manufacturing. The removal of the subsidy fully implements the WTO's recommendation to the United States, bringing an end to this long-running dispute.

"With Washington State's repeal of this relatively minor tax reduction, the United States has fully implemented the WTO's recommendation, ending this dispute," said U.S. Trade Representative Robert Lighthizer. "This step ensures that there is no valid basis for the EU to retaliate against any U.S. goods. For more than 15 years, the United States has called on European governments to end their illegal aircraft subsidies. We will continue to press the EU to negotiate a resolution that respects the WTO's findings."

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In an ongoing arbitration, the EU is seeking countermeasures of approximately $10 billion per year. Most of that amount is attributable to the Washington B&O tax rate reduction that Washington has now repealed. Moreover, a substantial portion is based on aeronautics R&D measures that were not found to violate WTO rules in the compliance proceeding, and therefore, cannot serve as a basis for countermeasures. Accordingly, there is no valid basis for the EU to retaliate against any U.S. goods in this dispute.

After many years of seeking unsuccessfully to convince the EU and four of its member States (France, Germany, Spain, and the United Kingdom) to cease their subsidization of Airbus, in 2004 the United States brought a WTO challenge to EU subsidies. The EU responded by challenging what it claimed were even larger subsidies to Boeing by the United States.

Two separate WTO panels addressed the claims brought by the United States and the EU, respectively. The two processes resulted in two very different sets of WTO findings and subsequent respondent actions.

In 2011, the WTO found that the EU provided Airbus $17 billion in subsidized financing from 1968 to 2006, and that European "launch aid" subsidies breached WTO rules because they were instrumental in permitting Airbus to launch every model of its large civil aircraft, causing Boeing to lose sales of more than 300 aircraft and to lose market share throughout the world.

In response, the EU removed two minor subsidies, but left most of them unchanged. The EU also granted Airbus more than $5 billion in new subsidized "launch aid" financing for its A350 XWB family of aircraft. The United States filed a complaint in March 2012 alleging that the EU not only had failed to comply with the WTO's findings but had further breached WTO rules through the new subsidized financing for the A350 XWB.

The WTO compliance panel and appellate reports found that EU subsidies to high-value, twin-aisle aircraft continued to cause serious prejudice to U.S. interests. The reports found that billions of dollars in launch aid to the A350 XWB cause significant lost sales of Boeing 787 aircraft. The reports also found that subsidies to the A380 continue to cause significant lost sales of Boeing aircraft, as well as impedance of exports of Boeing very large aircraft to the EU, Australia, China, Korea, Singapore, and UAE markets.

In 2018, the United States requested authority to impose countermeasures commensurate with the adverse effects that the EU subsidies continued to cause. The EU challenged the U.S. estimate, and a WTO arbitrator found that the annual adverse effects to the United States amounted to $7.5 billion per year. The United States imposed countermeasures in October 2019, consistent with the WTO's authorization.

China's Parliament Backs Deeply Controversial Security Law as Riot Police Swarm Hong Kong

This could be the point of no return. China's parliament has backed a new security law for Hong Kong which has strained relations with the U.S. and set off a fresh wave of protests in the city. The bill—which will now pass to China's senior leadership—would make it a crime to undermine Beijing's authority in Hong Kong and could also see China installing its security agencies in the city for the first time. It reaches so far that U.S. Secretary of State Mike Pompeo told Congress on Wednesday that Hong Kong is no longer autonomous from China. Riot police were swarming the city Thursday as Hong Kong legislators debated a separate proposed law that would criminalise disrespect of China's national anthem. Three pro-democracy lawmakers were thrown out of Hong Kong's legislative chamber. One of the three, Eddie Chu, declared that he believes the Hong Kong legislature is now "basically controlled by the Chinese Communist Party."

Update to DDTC Notice on COVID Measures

Given the extraordinary impact of the COVID-19 pandemic on the national economy and Defense Industrial Base, the Directorate of Defense Trade Controls (DDTC) is temporarily reducing registration fees for DDTC registrants in Tier I and Tier II to $500 for registrations whose original expiration date is between May 31, 2020 and April 30, 2021. Also, DDTC is reducing registration fees to $500 for new applicants who submit their registration application between May 1, 2020 and April 30, 2021. All new registrants are in Tier I in the first year. This will allow new registrants and existing registrants in Tiers I and II, many of which are small and medium-sized enterprises, to receive a reduced registration fee over the course of the coming year. The fee structure for Tier III entities remains unchanged at this time. We anticipate that this temporary reduction in fees for Tier I, Tier II, and new registrants will save regulated industry over $20 million over the course of the coming year.

This temporary reduction in fees shall apply only through April 30, 2021, at which time fees for entities in Tiers I and II will return to the rates that were in effect on April 1, 2020 unless otherwise extended by a subsequent notice in the Federal Register

USTR Statement in Response to Decision Disallowing Action to Protect Domestic Solar Industry

05/27/2020

Washington, DC - Two years ago, President Trump took action to protect our solar industry by placing "safeguard" restrictions on imports of solar panels from China and other foreign producers that had been found by the International Trade Commission to harm domestic producers. Although USTR initially allowed an exception for bifacial solar panels, USTR took action to eliminate the bifacial exception after finding that it had caused a significant increase in imported panels. The ITC issued a report that also found that the exclusion had caused a spike in imports, thereby undermining the objective of the action, and potentially costing the United States many jobs. Today, Judge Katzmann of the Court of International Trade blocked USTR from closing the bifacial panel exception. USTR strongly disagrees with Judge Katzmann's analysis. The solar industry and the jobs it represents are important to this country, and USTR will take all necessary and appropriate steps to ensure that its safeguard relief is effective.

DEPARTMENT OF COMMERCE

Bureau of Industry and Security [Docket No. 200514–0140]

Notice of Inquiry Regarding the Exclusion Process for Section 232 Steel and Aluminum Import Tariffs and Quotas

AGENCY: Bureau of Industry and Security, Commerce.

ACTION: Notice of inquiry with request for comment.

SUMMARY: In rendering decisions on requests for exclusions from the tariffs and quotas imposed on imports of steel and aluminum articles, the Bureau of Industry and Security (BIS) is seeking public comment on the appropriateness of the information requested and considered in applying the exclusion criteria, and the efficiency and transparency of the process employed.
DATES: Comments must be received by BIS no later than July 10, 2020.

https://www.bis.doc.gov/index.php/documents/regulations-docs/federal-register-notices/federal-register-2020/2554-85-fr-31441-232-exclusion-process-frn-5-26-20/file

Commerce Department to Add Two Dozen Chinese Companies with Ties to WMD and Military Activities to the Entity List

The Department of Commerce's Bureau of Industry and Security (BIS) announced it will add 24 governmental and commercial organizations to the Entity List for engaging in activities contrary to the national security or foreign policy interests of the United States. The entities, based in China, Hong Kong, and the Cayman Islands, represent a significant risk of supporting procurement of items for military end-use in China.

"The new additions to the Entity List demonstrate our commitment to preventing the use of U.S. commodities and technologies in activities that undermine our interests," said Secretary of Commerce Wilbur Ross.

This action will prohibit the export, re-export, or in-country transfer of items subject to the Export Administration Regulations (EAR) to these entities without Department of Commerce authorization.

Pursuant to Section 744.11(b) of the EAR, the Entity List identifies persons or organizations reasonably believed to be involved, or to pose a significant risk of being or becoming involved, in activities contrary to the national security or foreign policy interests of the United States. The EAR imposes additional license requirements on, and limits the availability of most license exceptions for, exports, re-exports, and transfers (in-country) to listed entities.

The 24 entities to be added to the Entity List are:

- Beijing Cloudmind Technology Co., Ltd.
- Beijing Computational Science Research Center
- Beijing Jincheng Huanyu Electronics Co., Ltd.
- Center for High Pressure Science and Technology Advanced Research
- Chengdu Fine Optical Engineering Research Center
- China Jiuyuan Trading Corporation
- Cloudminds (Hong Kong) Limited
- Cloudminds Inc.
- Harbin Chuangyue Technology Co., Ltd.
- Harbin Engineering University
- Harbin Institute of Technology
- Harbin Yun Li Da Technology and Development Co., Ltd.

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- JCN (HK) Technology Co. Ltd.
- K Logistics (China) Limited
- Kunhai (Yanjiao) Innovation Research Institute
- Peac Institute of Multiscale Science
- Qihoo 360 Technology Co. Ltd.
- Qihoo 360 Technology Company
- Shanghai Nova Instruments Co., Ltd.
- Sichuan Dingcheng Material Trade Co., Ltd.
- Sichuan Haitian New Technology Group Co. Ltd.
- Sichuan Zhonghe Import and Export Trade Co., Ltd.
- Skyeye Laser Technology Limited
- Zhu Jiejin.

US to Impose Final Duties Of Over 300% On Collated Staple Imports from China; SENCO Welcomes Decision

CINCINNATI, May 26, 2020 /PRNewswire/ -- KYOCERA SENCO Industrial Tools, Inc. (Senco), the nation's largest staple manufacturer, announced today that the U.S. Department of Commerce (DOC) will impose combined final antidumping (AD) and countervailing (CVD) duties of 97.93%-305.19% percent on all imports of medium and heavy collated steel staples from China. If the U.S. International Trade Commission (ITC) reaffirms that Chinese imports have injured the U.S. industry, the duties will take effect in early July and will be collected on imports dating as far back as August. The ITC is currently scheduled to vote on June 23, 2020.

DEPARTMENT OF THE TREASURY

Office of Investment Security
31 CFR Part 800
RIN 1505-AC68

Provisions Pertaining to Certain Investments in the United States by Foreign Persons AGENCY: Office of Investment Security, Department of the Treasury.

ACTION: Proposed rule.

SUMMARY: This proposed rule would modify certain provisions in the regulations of the Committee on Foreign Investment in the United States that implement section 721 of the Defense Production Act of 1950, as amended by the Foreign Investment Risk Review Modernization Act of 2018. Specifically, this proposed rule would modify the mandatory declaration provision for certain foreign investment transactions involving a U.S. business that produces, designs, tests, manufactures, fabricates, or develops one or more critical technologies. It also makes clarifying amendments to the definition for the term "substantial interest." DATES: Written comments must be received by [INSERT DATE 30 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: Written comments on this proposed rule may be submitted through one of two methods:

• Electronic Submission: Comments may be submitted electronically through the Federal government eRulemaking portal at https://www.regulations.gov. Electronic submission of comments allows the commenter maximum time to prepare and submit a comment, ensures timely receipt, and enables the Department of the Treasury (Treasury Department) to make the comments available to the public. Please note that comments submitted through https://www.regulations.gov will be public, and can be viewed by members of the public.

• Mail: Send to U.S. Department of the Treasury, Attention: Meena R. Sharma, Deputy Director of Investment Security Policy and International Relations, 1500 Pennsylvania Avenue, NW, Washington, DC 20220.

Please submit comments only and include your name and company name (if any) and cite "Provisions Pertaining to Certain Investments in the United States by Foreign Persons" in all correspondence. In general, the Treasury Department will post all commentsto https://www.regulations.gov without change, including any business or personal information provided, such as names, addresses, email addresses, or telephone numbers. All comments received, including attachments and other supporting material, will be part of the public record and subject to public disclosure. You should only submit information that you wish to make publicly available.

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FOR FURTHER INFORMATION CONTACT: For questions about this rule, contact: Laura Black, Director of Investment Security Policy and International Relations; Meena R. Sharma, Deputy Director of Investment Security Policy and International Relations; or Alexander Sevald, Senior Policy Advisor, at U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220; telephone: (202) 622-3425; email: CFIUS.FIRRMA@treasury.gov. SUPPLEMENTARY INFORMATION:

I. Background

A. TheStatute
On August 13, 2018, the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA), Subtitle A of Title XVII of Public Law 115-232, 132 Stat. 2173, was enacted.

FIRRMA amends section 721 (section 721) of the Defense Production Act of 1950, as amended (DPA), which delineates the authorities and jurisdiction of the Committee on Foreign Investment in the United States (CFIUS or the Committee). Executive Order 13456, 73 FR 4677 (Jan. 23, 2008), directs the Secretary of the Treasury to issue regulations implementing section 721. This proposed rule is being issued pursuant to that authority. FIRRMA maintains the Committee's jurisdiction over any transaction which could result in foreign control of any U.S. business, and broadens the authorities of the President and CFIUS under section 721 to review and take action to address national security concerns arising from certain non-controlling investments and real estate transactions involving foreign persons. FIRRMA also modernizes CFIUS's processes to better enable timely and effective reviews of transactions falling under its jurisdiction, including by introducing the concept of a declaration— an abbreviated notification on which the Committee must take action under a 30-day assessment period—as an alternative to a voluntary notice, which had been the traditional means of filing a transaction with CFIUS. FIRRMA also continues the largely voluntary nature of the CFIUS process with respect to most transactions. However, notifying CFIUS of a transaction is mandatory in some circumstances. Specifically, FIRRMA authorizes CFIUS to mandate through regulations the submission of a declaration for covered transactions involving certain U.S. businesses that produce, design, test, manufacture, fabricate, or develop one or more critical technologies. Implementation of that authority is the primary subject of this proposed rule. FIRRMA also requires declarations for certain covered transactions where a foreign government has a "substantial interest" in a foreign person that will acquire a substantial interest in certain types of U.S. businesses. This proposed rule makes clarifying amendments with respect to the definition of substantial interest. In both cases of mandatory declarations, parties have the option of filing a notice rather than submitting a declaration if they so choose.

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B. Existing Declaration Requirement for Certain Transactions Involving U.S. Businesses with Critical Technologies
As background, on October 11, 2018, the Treasury Department published an interim rule that implemented—on a temporary basis as a pilot program—a declaration requirement for certain foreign investment transactions involving U.S. businesses with certain activities involving one or more critical technologies (Pilot Program Interim Rule). 83 FR 51322. Specifically, the Pilot Program Interim Rule made effective and implemented on November 10, 2018, a part of the Committee's jurisdiction over certain non-controlling investments, and established mandatory declarations for certain non-controlling investments in, and certain transactions that could result in control by a foreign person of, U.S. businesses that produce, design, test, manufacture, fabricate, or develop one or more critical technologies in connection with any of 27 industries identified by reference to the North American Industry Classification System (NAICS). The Pilot Program Interim Rule provided for a public comment period, and a number of comments were received. Additional comments on the scope of this mandatory declaration pilot program were received in connection with the notice of proposed rulemaking published on September 24, 2019, proposing amendments to 31 CFR part 800 to implement provisions of FIRRMA more broadly. 84 FR 50174. On January 17, 2020, the Treasury Department published a final rule at 85 FR 3112 (Part 800 Rule) amending 31 CFR part 800 to implement provisions of FIRRMA, and the final rule took effect on February 13, 2020. With respect to the mandatory declarations for critical technology transactions, the Part 800 Rule largely incorporates the scope of the Pilot Program Interim Rule, which is based on whether a transaction involves certain U.S. businesses with specified activities involving critical technologies and a nexus to industries identified by NAICS codes. In response to public comments, and as described in more detail in the preamble to the Part 800 Rule, certain modifications were made in the Part 800 Rule. In particular, the Part 800 Rule exempts from the critical technology transaction declaration requirement (but not CFIUS jurisdiction) certain transactions involving excepted investors (as defined in the Part 800 Rule); entities subject to an agreement to mitigate foreign ownership, control, or influence pursuant to the National Industrial Security Program regulations; certain encryption technologies; and certain investment funds managed exclusively by, and ultimately controlled by, U.S. nationals. The Pilot Program Interim Rule continues to apply only to transactions falling within the scope of that rule and for which specified actions were taken on or after its effective date and prior to the effective date of the Part 800 Rule (i.e., from November 10, 2018, through February 12, 2020, as described in 31 CFR § 801.103). The scope of mandatory declarations for critical technology transactions in the Part 800 Rule will continue to apply until this rulemaking is finalized.

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C. Proposed Rule Requiring Declarations for Certain Transactions Involving U.S. Businesses with Critical Technologies In further consideration of public comments submitted on the prior rulemakings discussed above, and as informed by the Committee's experience assessing mandatory declarations for certain transactions involving critical technologies for over a year, as well as other national security considerations, this proposed rule modifies the scope of the mandatory declaration provision for certain transactions involving critical technologies. Consistent with CFIUS processes generally, the proposed rule reflects extensive consultation with CFIUS member agencies and the conclusion that a provision continuing the implementation of mandatory declarations for transactions involving critical technologies furthers the protection of national security. The proposed rule revises the declaration requirement for certain critical technology transactions so that it is based on whether certain U.S. government authorizations would be required to export, re-export, transfer (in country), or retransfer the critical technology or technologies produced, designed, tested, manufactured, fabricated, or developed by the U.S. business to certain transaction parties and foreign persons in the ownership chain. The proposed rule removes the NAICS code criteria and the list of NAICS codes at appendix B to the Part 800 Rule. In focusing on export control requirements for the critical technologies, the proposed rule leverages the national security foundations of the established export control regimes, which require licensing or authorization in certain cases based on an analysis of the particular item and end user, and the particular foreign country for export, re-export, transfer (in country), or retransfer. To accomplish this, the proposed rule amends § 800.104 (applicability rule) and § 800.401 (mandatory declarations) and introduces two new definitions: "U.S. regulatory authorization" and "voting interest for purposes of critical technology mandatory declarations." The proposed rule does not modify the definition of "critical technologies," which is defined by FIRRMA, and implemented at § 800.215 of the Part 800 Rule. This proposed rule instead prescribes the types of transactions subject to mandatory declarations based on whether certain types of regulatory licenses or authorizations would be required for export and related activities involving the specific critical technology of the U.S. business. More broadly, consistent with FIRRMA and the Export Control Reform Act of 2018 (ECRA), CFIUS will continue its role in the process to identify emerging and foundational technologies as set forth in section 1758(a) of ECRA.

D. Clarifying Amendment to Definition of "Substantial Interest" at § 800.244(b) and (c) The proposed rule also makes clarifying amendments to paragraphs (b) and (c) of the definition of substantial interest at § 800.244 of the Part 800 Rule, which establishes how to determine the percentage interest held indirectly by one entity in another for purposes of that term.

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II. Discussion of Proposed Rule

A. Subpart A – General Provisions
Section 800.104 – Applicability Rule
The proposed rule retains paragraph (c) to this section regarding the applicability period
for transactions subject to the Pilot Program Interim Rule. The proposed rule adds paragraph (d) to clarify the applicability period of the provisions in the Part 800 Rule in light of the changes proposed in this rule. In particular, paragraph (d) limits the mandatory declaration provision in the Part 800 Rule to certain transactions involving critical technologies and for which specified actions (e.g., execution of a binding written agreement) took place between the Part 800 Rule's effectiveness (February 13, 2020) and the effective date of the rule finalizing this proposed rule. Additionally, the proposed rule adds paragraph (e) setting forth the effective date for the proposed amendments and the new defined terms discussed in this rule, which date will be determined by the time the final rule is published. For the avoidance of doubt, the result of the applicability rule with the proposed modification will be as follows. The Pilot Program Interim Rule will continue to apply to transactions for which specified actions occurred on or after November 10, 2018, and prior to February 13, 2020, as specified in the regulations at 31 CFR § 801.103. The existing critical technology mandatory declaration provision based on NAICS codes and published in the Part 800 Rule will apply to transactions for which specified actions occurred from February 13, 2020, until the effective date of the rule finalizing this proposed rule, as specified in the proposed rule at § 800.104(d). The modifications to the critical technology mandatory declaration provision discussed in this proposed rule would apply—once finalized—starting on the effective date of the final rule, except for certain transactions for which specified actions occurred prior to the effective date of the final rule.

B. SubpartB–Definitions
The proposed rule makes clarifying amendments to § 800.244(b) and (c) and sets forth two new defined terms to be added to subpart B of part 800 as discussed below. Section 800.244 – Substantial Interest With respect to the definition of substantial interest, the proposed rule adds language to § 800.244(b) to clarify that it applies only where the general partner, managing member, or equivalent primarily directs, controls, or coordinates the activities of the entity. It also removes three instances of the word "voting" from § 800.244(c) in order to clarify that paragraph (c) applies not only to § 800.244(a) but also to § 800.244(b). Section 800.254 – U.S. Regulatory Authorization The proposed rule introduces the term and a definition of "U.S. regulatory authorization" to specify the types of regulatory licenses or authorizations that are required under the four main U.S. export control regimes, which if applicable in the context of a particular transaction described under the proposed rule, would trigger a mandatory declaration.

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In seeking to set clear criteria with respect to the foreign persons that need to be analyzed under this provision, the definition establishes a threshold of a 25 percent voting interest, direct or indirect. For entities whose activities are primarily directed, controlled, or coordinated by or on behalf of a general partner, managing member, or equivalent, the applicable threshold is a 25 percent interest in an entity's general partner, managing member, or equivalent. For purposes of determining the percentage of interest held indirectly by one person in another, the rule establishes that any interest of a parent entity in a subsidiary entity will be deemed to be a 100 percent interest. This approach to determining the percentage of interest is consistent with the proposed amendments to the definition of substantial interest at § 800.244(c), discussed above. Finally, the proposed rule specifies when the ownership interests of separate foreign persons will be aggregated for the purposes of § 800.256.

C. SubpartD–Declarations
The proposed rule modifies § 800.401(c), (e)(6) and (j), and also removes appendix B to the Part 800 Rule, to re-scope the mandatory declarations for transactions involving U.S. businesses with critical technologies. Thus, transaction parties would no longer need to consider whether the U.S. business produces, designs, tests, manufactures, fabricates, or develops a critical technology utilized in connection with the U.S. business' activity in, or designed by the U.S. business for use in, one or more industries identified by reference to NAICS codes. Instead, mandatory declarations apply only to the extent that the critical technologies that the U.S. business produces, designs, tests, manufactures, fabricates, or develops would require a U.S. regulatory authorization to export, re-export, transfer (in-country), or retransfer to the foreign persons involved in the transaction or certain foreign persons in the ownership chain as specified in § 800.401(c)(1)(i)-(v). The proposed language at § 800.401(c)(2) further clarifies the analysis required under § 800.401(c)(1). In particular, it makes clear that, except for certain EAR license exceptions specified at § 800.401(e)(6), which are discussed below, a U.S. regulatory authorization is considered to be required even though a license exception or exemption may be available under the EAR or ITAR, respectively. It also specifies how to analyze a foreign investor's nationality for purposes of this provision. Finally, in cases where the applicable U.S. regulatory authorization is tied to the "end user" status of the person receiving the critical technology, the proposed language at § 800.401(c)(2)(iii) specifies that for purposes of this analysis, the foreign person(s) specified in § 800.401(c)(1)(i)-(v) should be considered the end user(s). The proposed rule retains the exceptions in the Part 800 Rule at § 800.401(e)(1) to (5) and revises the exception at paragraph (e)(6.

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Note, however, that for any of the aforementioned license exceptions to relieve the declaration requirement with respect to a foreign person, such foreign person must in fact be eligible to utilize the license exception (including based on end user status, if relevant). These EAR license exceptions were selected for inclusion at paragraph (e)(6) based on national security considerations. CFIUS also notes that the restrictions on the use of all license exceptions found in 15 CFR § 740.2 would apply and must also be considered. The proposed rule also updates the examples at § 800.401(j) to reflect the aforementioned revisions to § 800.401(c). No changes were made to § 800.403 regarding procedures for declarations or to § 800.404 regarding contents of declarations. Finally, for the avoidance of doubt, pursuant to FIRRMA, the mandatory declaration provision at § 800.401(c) applies only to critical technology businesses under § 800.248(a), not to businesses that are TID U.S. businesses solely under § 800.248(b) or (c).

III. Rulemaking Requirements
Executive Order 12866
These regulations are not subject to the general requirements of Executive Order 12866, which covers review of regulations by the Office of Information and Regulatory Affairs in the Office of Management and Budget (OMB), because they relate to a foreign affairs function of the United States, pursuant to section 3(d)(2) of that order. In addition, these regulations are not subject to review under section 6(b) of Executive Order 12866 pursuant to section 7(c) of the April 11, 2018, Memorandum of Agreement between the Treasury Department and OMB, which states that CFIUS regulations are not subject to OMB's standard centralized review process under Executive Order 12866.

Paperwork Reduction Act The collection of information contained in this notice of proposed rulemaking has previously been submitted to OMB for review in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d), PRA), and approved under OMB Control Number 1505-0121. Under the PRA, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. Regulatory Flexibility Act. The Regulatory Flexibility Act (5 U.S.C. 601 et seq., RFA) generally requires an agency to prepare a regulatory flexibility analysis unless the agency certifies that the rule will not, once implemented, have a significant economic impact on a substantial number of small entities. The RFA applies whenever an agency is required to publish a general notice of proposed rulemaking under section 553(b) of the Administrative Procedure Act (5 U.S.C. 553, APA), or any other law. As set forth below, because regulations issued pursuant to the DPA, such as these regulations, are not subject to the APA or another law requiring the publication of a general notice of proposed rulemaking, the RFA does not apply.

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The proposed rule implements section 721 of the DPA. Section 709(a) of the DPA provides that the regulations issued under it are not subject to the rulemaking requirements of the APA. Section 709(b)(1) instead provides that any regulation issued under the DPA be published in the Federal Register and opportunity for public comment be provided for not less than 30 days. Section 709(b)(3) of the DPA also provides that all comments received during the public comment period be considered and the publication of the final regulation contain written responses to such comments. Consistent with the plain text of the DPA, legislative history confirms that Congress intended that regulations under the DPA be exempt from the notice and comment provisions of the APA and instead provided that the agency include a statement that interested parties were consulted in the formulation of the final regulation. See H.R. Conf. Rep. No. 102–1028, at 42 (1992) and H.R. Rep. No. 102–208 pt. 1, at 28 (1991). The limited public participation procedures described in the DPA do not require a general notice of proposed rulemaking as set forth in the RFA. Further, the mechanisms for publication and public participation are sufficiently different to distinguish the DPA procedures from a rule that requires a general notice of proposed rulemaking. In providing the President with expanded authority to suspend or prohibit the acquisition, merger, or takeover of, or certain other investments in, a U.S. business by a foreign person if such a transaction would threaten to impair the national security of the United States, Congress could not have contemplated that regulations implementing such authority would be subject to RFA analysis. For these reasons, the RFA does not apply to these regulations.

Regardless of whether the RFA applies, available data does not suggest that the proposed rule, if implemented, will have a significant economic impact on a substantial number of small entities. For purposes of the RFA, a "small entity" is (1) a proprietary firm meeting the size standards of the Small Business Administration (SBA); (2) a nonprofit organization that is not dominant in its field; or (3) a small government jurisdiction with a population of less than 50,000. 5 U.S.C. 601(3)–(6). This proposed rule would affect certain U.S. businesses that have particular activities involving critical technologies and that receive foreign investment (direct or indirect) of the type described in the proposed rule. These U.S. businesses could be found across a range of industries. Accordingly, because SBA size standards are designated by industry, and not all U.S. businesses that constitute small entities within a particular industry will be affected, it is difficult to apply the SBA size standards to determine how many small entities will be affected by this proposed rule. Additionally, some of these U.S. businesses are already subject to a declaration requirement when they receive foreign investment (direct or indirect) under the existing Part 800 Rule.

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The Treasury Department considered the data on new foreign direct investment in the United States that is collected annually by the Bureau of Economic Analysis (BEA) within the Department of Commerce through its Survey of New Foreign Direct Investment in the United States (Form BE- 13). While these data are self-reported, and include only direct investments in U.S. businesses in which the foreign person acquires at least 10 percent of the voting shares (and consequently, do not capture investments below 10 percent, which may nevertheless be covered transactions), they nonetheless provide relevant information on a category of U.S. businesses that receive foreign investment, some of which may be covered by the proposed rule.

According to the BEA, in 2018, the most current year for which data is available, foreign persons obtained at least a 10 percent voting share in 832 U.S. businesses. See U.S. Bureau of Economic Analysis, "Number of Investments Initiated in 2018, Distribution of Planned Total Expenditures, Size by Type of Investment," available at https://apps.bea.gov/international/xls/Table15-14-15-16-17-18.xls (last visited May 6, 2020). The BEA reports only the general size of the investment transaction, not the type of the U.S. business involved, nor whether the U.S. business is considered a "small business" by the SBA. The smallest foreign investment transactions that the BEA reports are those with a dollar value below $50,000,000. While not all U.S. businesses receiving a foreign investment of less than $50,000,000 are considered "small" for the purposes of the RFA, many might be, and the number of U.S. businesses receiving foreign investments of less than $50,000,000 is the best available information to estimate the number of transactions involving small U.S. businesses that might be subject to CFIUS's jurisdiction and affected by the proposed rule.

Of the above mentioned 832 U.S. businesses receiving foreign investment in 2018, 576 were involved in transactions valued at less than $50,000,000. Although this figure is under inclusive because it does not capture all transactions that could be subject to a filing requirement pursuant to the proposed rule, it also is over inclusive because it is not limited to any particular type of U.S. business. The Treasury Department believes the figure of 576 is the best estimate based on the available data of the number of small U.S. businesses that may be impacted by this proposed rule, although the Treasury Department recognizes the limitations of this estimate.

Even if a substantial number of small entities were affected, the economic impact of the proposed rule on small U.S. businesses will not be significant. First, a portion of the U.S. businesses affected by the proposed rule are already subject to the existing declaration requirement under the Part 800 Rule. Second, the proposed rule replaces the analysis and nexus to NAICS codes with an analysis of export control authorization requirements.

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Foreign investments in the United States, Investigations, Investments, Investment companies, National defense, Reporting and Recordkeeping requirements. For the reasons set forth in the preamble, the Treasury Department proposes to amend part 800 of title 31 of the Code of Federal Regulations, to read as follows:

PART 800 - REGULATIONS PERTAINING TO CERTAIN INVESTMENTS IN THE UNITED STATES BY FOREIGN PERSONS

1. The authority citation for part 800 continues to read:
Authority: 50 U.S.C. 4565; E.O. 11858, as amended, 73 FR 4677.
Subpart A – General Provisions

2. Amend § 800.104 by revising paragraph (a) and adding paragraphs (d) and (e) to read as follows:
§ 800.104 Applicability Rule.

(a) Except as provided in paragraphs (b) through (e) of this section and otherwise in this part, the regulations in this part apply from February 13, 2020.
*****

(d) Subject to paragraphs (b) and (c) of this section, for any transaction for which the following has occurred on or after February 13, 2020, and before [EFFECTIVE DATE OF FINAL RULE], the corresponding provisions of the regulations in this part that were in effect during that time will apply:
(1) The completion date;
(2) The parties to the transaction have executed a binding written agreement, or other binding document, establishing the material terms of the transaction;
(3) A party has made a public offer to shareholders to buy shares of a U.S. business; or
(4) A shareholder has solicited proxies in connection with an election of the board of directors of a U.S. business or an owner or holder of a contingent equity interest has requested the conversion of the contingent equity interest.

(e) Except as provided in paragraphs (b) through (d) of this section, the amendments to this part published in the Federal Register on [DATE OF PUBLICATION OF FINAL RULE] apply from [EFFECTIVE DATE OF FINAL RULE].
Subpart B – Definitions

3. Amend § 800.244 by revising paragraphs (b) and (c) to read as follows:

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§ 800.244 Substantial interest. (b) In the case of an entity whose activities are primarily directed, controlled, or coordinated by or on behalf of a general partner, managing member, or equivalent, the national or subnational governments of a single foreign state will be considered to have a substantial interest in such entity only if they hold 49 percent or more of the interest in the general partner, managing member, or equivalent of the entity. (c) For purposes of determining the percentage of interest held indirectly by one entity in another entity under this section, any interest of a parent will be deemed to be a 100 percent interest in any entity of which it is a parent.
*****
4. Redesignate § 800.254 as § 800.255 and add a new § 800.254 to read as follows:

§ 800.254 U.S. regulatory authorization.
The term U.S. regulatory authorization means:
(a) A license or other approval issued by the Department of State under the ITAR; (b) A license from the Department of Commerce under the EAR; (c) A specific or general authorization from the Department of Energy under the regulations governing assistance to foreign atomic energy activities at 10 CFR part 810 other than the general authorization described in 10 CFR 810.6(a); or (d) A specific license from the Nuclear Regulatory Commission under the regulations governing the export or import of nuclear equipment and material at 10 CFR part 110. 5. Add § 800.256 to read as follows: § 800.256 Voting interest for purposes of critical technology mandatory declarations.(a) The term voting interest for purposes of critical technology mandatory declarations means, in the context of an interest in a foreign person for the purposes of § 800.401(c)(1)(v), a voting interest, direct or indirect, of 25 percent or more, subject to paragraphs (b) and (c) of this section. (b) In the case of a foreign person that is an entity whose activities are primarily directed, controlled, or coordinated by or on behalf of a general partner, managing member, or equivalent, a foreign person will be considered to have a voting interest for purposes of critical technology mandatory declarations in such entity only if it holds 25 percent or more of the interest in the general partner, managing member, or equivalent of the entity. (c) For purposes of determining the percentage of voting interest for purposes of critical technology mandatory declarations held indirectly by one person in another, any interest of a parent will be deemed to be a 100 percent interest in any entity of which it is a parent. (d) For purposes of § 800.401(c)(1)(v), foreign persons who are related, have formal or informal arrangements to act in concert, or are agencies or instrumentalities of, or controlled by, the national or subnational governments of a single foreign state are considered part of a group of foreign persons and their individual holdings are aggregated.

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Subpart D – Declarations

7. Amend § 800.401 by revising paragraphs (c), (e)(6), and (j) to read as follows:
§ 800.401 Mandatory declarations. ***** (c)(1) A covered transaction involving a TID U.S. business that produces, designs, tests, manufactures, fabricates, or develops one or more critical technologies for which a U.S. regulatory authorization would be required for the export, re-export, transfer (in-country), or retransfer of such critical technology to a foreign person that is a party to the covered transaction and such foreign person:

(i) Could directly control such TID U.S. business as a result of the covered transaction; (ii) Is directly acquiring an interest that is a covered investment in such TID U.S. business; (iii) Has a direct investment in such TID U.S. business, the rights of such foreign person with respect to such TID U.S. business are changing, and such change in rights could result in a covered control transaction or a covered investment; (iv) Is a party to any transaction, transfer, agreement, or arrangement described in § 800.213(d) with respect to such TID U.S. business; or (v) Individually holds, or is part of a group of foreign persons that, in the aggregate, holds, a voting interest for purposes of critical technology mandatory declarations in a foreign person described in paragraphs (c)(1)(i) through (iv) of this section. (2) For purposes of paragraph (c)(1) of this section, whether a U.S. regulatory authorization would be required for the export, re-export, transfer (in-country), or retransfer of a critical technology to a foreign person described in paragraphs (c)(1)(i) through (v) of this section shall be determined: (i) Without giving effect to any license exemption available under the ITAR or license exception available under the EAR except as described paragraph in (e)(6) of this section; (ii) Based on such foreign person's principal place of business (for entities) as defined in § 800.239, or such foreign person's nationality or nationalities (for individuals) under the relevant U.S. regulatory authorization, as applicable; and (iii) As if such foreign person is an "end user" under the applicable U.S. regulatory authorization, as applicable. (6) A covered transaction that requires one or more U.S. regulatory authorizations and each of which is satisfied by the foreign person's eligibility for a license exception under the EAR at 15 CFR 740.13, 740.17(b), or 740.20(c)(1), as applicable.

(j) Examples:

(1) Example 1. Corporation A, an entity located in Country F with 75 percent of its voting interest owned by nationals of Country F, acquires 100 percent of the interests of Corporation Y, a U.S. business that manufactures a critical technology controlled under the EAR. A national of Country G owns 25 percent of the voting shares of Corporation A. Under the EAR, a license is required to export the critical technology to Country G but not Country F. Assuming no other relevant facts, the acquisition of Corporation Y is subject to a mandatory declaration.

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(2) Example 2. Corporation B, an entity with its principal place of business in Country G and wholly owned by nationals of Country G, makes a covered investment in Corporation Z, a U.S. business that designs a critical technology controlled under the EAR. Under the EAR, a license is required to export the critical technology to Country G. The license exception at 15 CFR 740.4 authorizes Corporation B to export the critical technology to Country G without a license. Assuming no other relevant facts, the covered investment is subject to a mandatory declaration.

(3) Example 3. Same facts as the example in paragraph (j)(2) of this section, except that the license exception at 15 CFR 740.20(c)(1) authorizes Corporation B to export the critical technology to Country G without a license. Assuming no other relevant facts, the covered investment is not subject to a mandatory declaration.

(4) Example 4. Corporation D, a foreign entity with its principal place of business in Country M with 30 percent of its voting shares owned by nationals of Country M, acquires 100 percent of Corporation R, a U.S. business that designs multiple types of critical technology controlled under the EAR and the ITAR. Corporation R manufactures one critical technology that is described on the U.S. Munitions List and requires a license for export to Country M. The remainder of Corporation R's critical technology is controlled under the EAR and does not require a license for export to Country M. Assuming no other relevant facts, Corporation D's acquisition of Corporation R is subject to a mandatory declaration.

(5) Example 5. Corporation A, an entity with its principal place of business in Country F with 35 percent of its voting shares owned by nationals of Country F, acquires 100 percent of Corporation Y, a U.S. business that manufactures an item controlled under the ITAR. An ITAR authorization is required to export the item to Corporation A in Country F, but under the ITAR, Corporation Y is authorized under an exemption to export the controlled article to Corporation A in Country F. Assuming no other relevant facts, Corporation A's acquisition of Corporation Y is subject to a mandatory declaration.
Appendix B to part 800 [Removed]

8. Remove appendix B to part 800.
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Dated: May 6, 2020. Thomas Feddo,
Assistant Secretary for Investment Security.
[FR Doc. 2020-10034 Filed: 5/20/2020 8:45 am; Publication Date: 5/21/2020]
23

Fired State Department IG probed Trump's Saudi arms deals

WASHINGTON — The U.S. State Department inspector general was investigating the Trump administration's use of an emergency declaration to sell weapons to Saudi Arabia, the chairman of the House Foreign Affairs Committee said Monday.

President Donald Trump announced late Friday that he was firing Steve Linick, the inspector general since 2013, which sparked a backlash from Democrats, who suggested Secretary of State Mike Pompeo was responsible for what "may be an illegal act of retaliation."

New York Rep. Eliot Engel, the chairman of the House Foreign Affairs Committee, tweeted on Monday that Linick's "office was investigating — at my request — Trump's phony emergency declaration so he could send Saudi Arabia weapons. We don't have the full picture yet, but it's troubling that Sec Pompeo wanted Linick pushed out." Trump, in May 2019, declared an emergency under the Arms Export Control Act to bypass Congress and expedite $8.1 billion in weapon sales for Saudi Arabia, Jordan and the United Arab Emirates. At the time, Pompeo said the sales were needed "to deter further the malign influence of the Government of Iran throughout the Middle East region."

Lawmakers were delaying the sales over humanitarian concerns, and Democrats pushed back over what they saw as overreach by the executive branch. In June 2019, 26 Democrats asked Linick to investigate the declaration, calling the justification for for it "dubious."

In the wake of the death of journalist Jamal Khashoggi — who the American intelligence community says was murdered in the Saudi consulate in Turkey under orders by the Saudi kingdom — Congress passed a series of measures on a bipartisan basis aimed at curbing U.S. support for Riyadh's involvement in Yemen's civil war. Trump vetoed the measures and the Senate failed to override.

NBC News first reported Sunday night that Linick was investigating allegations that Pompeo used staff for personal chores and errands. The Washington Post broke the news Monday that Linick had "mostly completed" an investigation into Pompeo's decision, and that the State Department was recently briefed on the IG's conclusions in that investigation. Engel and Sen. Bob Menenedez, D-N.J., ranking member of the Senate Foreign Relations Committee, demanded on Saturday that the White House hand over all records related to Trump's latest firing of a federal watchdog. Engel and Menendez sent letters to the White House, the State Department and the inspector general's office asking that administration officials preserve all records related to Linick's dismissal and provide them to the committees by this coming Friday.

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In a statement Saturday, Senate Armed Services Committee ranking member Sen. Jack Reed, D-R.I., blasted Linick's firing as "unjustified" and called on Republicans to ensure accountability and oversight at the highest levels

"President Trump's mismanagement has hollowed out the State Department and weakened the government's ability to respond in a crisis," Reed said. "His desire for public servants to place abject, political fealty to him above the Constitution is costing our nation."

'China Moves on Hong Kong'

That's how The Wall Street Journal's editorial board describesChina's controversial weighing of a new Hong Kong security law. As China's National People's Congress convenes its annual gathering, delegates will consider enacting a new law in Hong Kong barring treason and sedition against the mainland government; the Journal poses this as the culmination of a long-looming Chinese crackdown on the semi-autonomous city.

The Hong Kong Free Press has compiled reactions to the proposed law, including downtrodden quotes from pro-democracy activists and lawmakers in Hong Kong, a common thread being that such a move would end the "one country, two systems" framework that has kept Hong Kong relatively democratic. Hong Kong's mini-constitution, its Basic Law, includes an article requiring Hong Kong's government to pass a security law like the one Beijing is considering—but it has never been acted upon, and a 2003 attempt to do so incurred protests and backlash. "For many Hong Kongers, the security law is a red line," writes the Financial Times' editorial board. While proposing it in Hong Kong's government would be controversial enough, "[w]hat China's central government is doing now, however, is even more provocative—using the rubber-stamp national assembly to impose the legislation, bypassing Hong Kong's legislative council," the paper writes.

The move could imperil Hong Kong's status as an international financial hub, the paper warns. In the Nikkei Asian Review, Ben Bland echoes that point: "Fitch Ratings, the credit rating agency, acknowledged this in April when it downgraded Hong Kong on the basis of its accelerating integration into China's political and economic system, as well as the city's 'deep-rooted sociopolitical cleavages,'" Bland writes. If Hong Kong is further integrated into the mainland, Bland suggests, Western governments will be pressed to explain why they're still trading with it as a distinct entity, on separate terms from Beijing.

Commerce Department to Add Nine Chinese Entities Related to Human Rights Abuses in the Xinjiang Uighur Autonomous Region to the Entity List

The Department of Commerce's Bureau of Industry and Security (BIS) announced the impending addition of the People's Republic of China's Ministry of Public Security's Institute of Forensic Science and eight Chinese companies to the Entity List, which will result in these parties facing new restrictions on access to U.S. technology. These nine parties are complicit in human rights violations and abuses committed in China's campaign of repression, mass arbitrary detention, forced labor and high-technology surveillance against Uighurs, ethnic Kazakhs, and other members of Muslim minority groups in the Xinjiang Uighur Autonomous Region (XUAR). This action will supplement BIS's first tranche of Entity List designations in October 2019 involving 28 parties engaged in the XUAR repression campaign in Xinjiang.

The Entity List additions restrict the export of U.S items subject to the Export Administration Regulations (EAR) to persons or organizations reasonably believed to be involved, or to pose a significant risk of being of becoming involved, in activities contrary to the national security or foreign policy interests of the United States. The EAR imposes additional license requirements on, and limits the availability of most license exceptions for, exports, re-exports, and transfers (in-country) to listed entities.

The listing will identify China's Ministry of Public Security's Institute of Forensic Science and Aksu Huafu Textiles Co. for engaging in human rights violations and abuses in the XUAR. An additional seven commercial entities will be to the list for enabling China's high-technology surveillance in the XUAR: CloudWalk Technology; FiberHome Technologies Group and the subsidiary Nanjing FiberHome Starrysky Communication Development; NetPosa and the subsidiary SenseNets; Intellifusion; and IS'Vision.

PRC National People's Congress Proposal on Hong Kong National Security Legislation

Press Statement

Michael R. Pompeo, Secretary of State

May 27, 2020

Last week, the People's Republic of China (PRC) National People's Congress announced its intention to unilaterally and arbitrarily impose national security legislation on Hong Kong. Beijing's disastrous decision is only the latest in a series of actions that fundamentally undermine Hong Kong's autonomy and freedoms and China's own promises to the Hong Kong people under the Sino-British Joint Declaration, a UN-filed international treaty.

The State Department is required by the Hong Kong Policy Act to assess the autonomy of the territory from China. After careful study of developments over the reporting period, I certified to Congress today that Hong Kong does not continue to warrant treatment under United States laws in the same manner as U.S. laws were applied to Hong Kong before July 1997. No reasonable person can assert today that Hong Kong maintains a high degree of autonomy from China, given facts on the ground.

Hong Kong and its dynamic, enterprising, and free people have flourished for decades as a bastion of liberty, and this decision gives me no pleasure. But sound policy making requires a recognition of reality. While the United States once hoped that free and prosperous Hong Kong would provide a model for authoritarian China, it is now clear that China is modeling Hong Kong after itself.

The United States stands with the people of Hong Kong as they struggle against the CCP's increasing denial of the autonomy that they were promised.

"Your only limit is you."

Trump officials recently weighed first nuclear-weapons test in decades after alleging that China and Russia carried out their own

Administration officials last week discussed conducting a nuclear test explosion for the first time since 1992, a move that would have far-reaching consequences on relations with other nuclear powers and reverse a decades-long moratorium on such actions.

The meeting did not conclude with an agreement to test, but one senior administration official said the proposal is "very much an ongoing conversation

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