



Trade Matters

Lowenstein Sandler's Global Trade & National Security Newsletter

June 2024

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1. OFAC Amends Reporting Requirements and Procedures

On May 10, 2024, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) issued an [Interim Final Rule \(IFR\)](#), effective August 8, 2024, that updates the Reporting, Procedures, and Penalties Regulations. The IFR modifies reporting requirements related to blocked property and rejected transactions, requiring electronic submission of reports, either through the OFAC Reporting System or by email. The IFR also clarifies the scope of reportable transactions to include the "sales or purchases of goods or services," addressing confusion about what constitutes a reportable transaction, and confirms that reports need only provide information that is available to the filer at the time of rejection, reducing the burden on filers to gather additional information. Companies have 10 business days to file, which is a new requirement. Additionally, the revisions broaden the scope of what can be removed from a blocked list due to mistaken identity or typographical errors.

2. Biden to Quadruple Tariffs on Chinese EVs to 100 Percent

As a result of the United States Trade Representative (USTR)'s four-year Section 301 review, many [Section 301 tariffs will increase](#), with the new tariff rates effective in 2024, 2025, or 2026, depending on the product. Effective August 1, 2024, battery parts (non-lithium-ion batteries), facemasks, lithium-ion electrical vehicle batteries, other critical minerals, ship to shore cranes, and steel and aluminum products will see a rate increase to 25 percent; solar cells and syringes and needles will increase to 50 percent; and electric vehicles will increase to 100 percent. Effective January 1, 2025, the semiconductor rate will increase to 50 percent. Effective January 1, 2026, lithium-ion non-electrical vehicle batteries, medical gloves, natural

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graphite, and permanent magnets will increase to 25 percent. USTR is seeking comments on the proposed modifications to these tariff rates, which can be submitted to the [docket](#) until June 28.

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3. OFAC Continues to Penalize Russia's Military-Industrial Base and Third-Country Supporters

The Department of the Treasury is continuing [to take action](#) against actors who supply Russia with weapons and other materials to be used in Russia's war against Ukraine. The agency designated almost 300 new entities at the beginning of May. Sixty of the parties were non-Russians, including entities from Azerbaijan, Belgium, the People's Republic of China, Slovakia, Turkey, and the United Arab Emirates. Non-U.S. persons outside Russia are on notice that if they assist Russia in evading sanctions, OFAC will take enforcement actions against them.

4. Senate Calls for Increased UFLPA Enforcement as Car Makers Fail to Police Supply Chains for Chinese Parts Made With Forced Labor

A Senate Finance Committee Democratic staff [investigation](#) found that at least three large car companies imported cars into the United States containing parts from a company banned under the Uyghur Forced Labor Prevention Act (UFLPA) for its connection to forced labor in the Xinjiang region of China. Two multibillion-dollar companies did so this year. The prohibited components included electronics known as LAN transformers that were incorporated into the cars. Senate Finance Committee Chair Ron Wyden declared that "[a]utomakers are sticking their heads in the sand and then swearing they can't find any forced labor in their supply chain," and called on U.S. Customs and Border Protection (CBP) to increase UFLPA enforcement by providing clearer information regarding what kinds of audits are necessary to detect forced labor in supply chains and comply with the UFLPA. To avoid seizures at the border, companies should track and trace their supply chains to ensure they do not involve any prohibited items or entities, document these diligence activities, and update their compliance procedures to account for CBP's audit requirements.

5. Antiboycott Advisory on Turkey

On May 14, 2024, the Bureau of Industry and Security (BIS) of the U.S. Commerce Department issued an [antiboycott compliance advisory](#) following Turkey's decision to halt all trade with Israel. The notice is a reminder to all U.S. persons that participating in or supporting an unauthorized foreign boycott is prohibited under the Export Administration Regulations and always must be reported to BIS. U.S. companies in Turkey are particularly urged to stay vigilant to avoid inadvertently violating the law.

6. DOJ Declines to Prosecute Export Violations Following Self-Disclosure Based on New Policy

The Department of Justice (DOJ) announced that it declined to prosecute biochemical company [Sigma-Aldrich Inc.](#) based on the company's prompt voluntary self-disclosure of criminal

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activity to export goods to China. For seven years, two employees fraudulently procured biochemical products and then exported them to an unauthorized purchaser in China. As a result of the disclosure and cooperation with the DOJ, the company will not be charged, despite the criminal wrongdoing committed by its employees. This is the first declination that the DOJ has announced since its new corporate enforcement policy went into effect in March 2024.

TRADE TIP OF THE MONTH: Section 301 Comment Period Remains Open Until June 28

On May 22, USTR released its Proposed Modifications to the Section 301 tariffs as a result of its four-year review. In addition to raising the tariff rates of certain items (see above), the notice introduced:

- A new exclusion process targeting machinery used in domestic manufacturing (only certain Harmonized Tariff Schedule (HTS) codes in Chapters 84 and 85 are eligible);
- Nineteen temporary exclusions for certain solar manufacturing equipment; and
- Increased enforcement of Section 301 duty payments.

Interested parties can comment on the proposed modifications, including how these changes will affect the U.S. economy and which machinery HTS codes should be eligible for an exclusion. Comments can be submitted through the [docket](#) until June 28.

Additional Resources

- **Client Alert: "DOJ Says You Can Put the Fire Out From Inside the House: New Voluntary Self-Disclosure Program Seeks to Root Out Corporate Crime From Within"**
May 20, 2024
White Collar Criminal Defense Client Alert
Matthew Boxer, Rachel Moseson Dikovics
- **Client Alert: "SEC and FinCEN Propose Customer Identification Obligations for Investment Advisers"**
May 20, 2024
Anti-Money Laundering Client Alert
Scott H. Moss, Robert A. Johnston Jr., Samantha Sigelakis-Minski, Angenny M. Rosario



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