

# Washington Trade Daily

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## ***US Targets Russia Sanctions Evaders***

The Treasury Department announced yesterday it is designating a Russian bank and companies operating in Russia's virtual currency mining industry for attempting to evade US and international sanctions on Russia.

Treasury's Office of Foreign Assets Control is targeting Russian commercial bank Transkapitalbank and a global network of more than 40 individuals and entities led by US-designated Russian oligarch Konstantin Malofeyev – including organizations whose primary mission is to facilitate sanctions evasion for Russian entities.

OFAC also designated companies operating in Russia's virtual currency mining industry, reportedly the third largest in the world. This is the first time Treasury has designated a virtual currency mining company.

Transkapitalbank – a Russian privately-owned commercial bank – is at the heart of the sanctions evasion, according to Treasury. TKB representatives have offered services to several banks in Asia, including within China, and the Middle East and suggested options to evade international sanctions.

"Treasury can and will target those who evade, attempt to evade, or aid the evasion of US sanctions against Russia, as they are helping support Putin's brutal war of choice," Treasury Undersecretary for Terrorism and Financial Intelligence Brian Nelson. "The United States will work to ensure that the sanctions we have imposed, in close coordination with our international partners, degrade the Kremlin's ability to project power and fund its invasion."

OFAC also targeted a worldwide sanctions evasion and malign influence network led by Russian oligarch Konstantin Malofeyev.

Treasury is also taking action against companies in Russia's virtual currency mining industry. By operating vast server farms that sell virtual currency mining capacity internationally, these companies help Russia monetize its natural resources. Russia has a comparative advantage in crypto mining due to energy resources and a cold climate. However, mining companies rely on imported computer equipment and fiat payments, which makes them vulnerable to sanctions.

## ***WTO Agriculture Debate Continues***

Geneva – As many developing countries pressed for a constructive resolution of the mandated permanent solution for public stockholding programs yesterday, the United States along with several Cairns Group farm exporting countries and the European Union continued to adopt an opposing stance on the same issue, WTD has learned.

At a small group meeting of 17 industrialized and developing countries convened by the chair of the Doha agriculture negotiations, new US trade envoy Ambassador Maria Pagan appears to have said that more technical work needs to be done on the PSH issue.

Ambassador Pagan apparently said that she shares the concerns raised by some members on the PSH issue. The United States seems to have emphasized the importance of an agreement on enhanced transparency provisions, said people familiar with the discussion.

The European Union said it does not envisage any outcome on the PSH issue, suggesting that only the transparency issue could be agreed at the upcoming 12<sup>th</sup> ministerial conference.

The proponents of the permanent solution for the PSH issue like the African Group of countries led by Cameroon and Nigeria, Indonesia on behalf of the G-33 countries, India and several other

countries said they are ready to work constructively with non-proponents to resolve differences on the issue.

The African Group and the G-33 coalitions are expected to issue a consolidated proposal soon on the PSH issue, as demanded by the non-proponents, said people familiar with the development.

In their proposal tabled on April 14, the least-developed countries called for a permanent solution for PSH programs, maintaining that the permanent solution should replace the interim peace clause with a decision that PSH programs fulfilling certain conditions should not be included in the AMS calculation.

Significantly, new entrants Uruguay and Paraguay as well as Brazil seem to have adopted an obdurate position against the PSH issue, saying that they will not agree to any outcome on this issue at the MC12, said people familiar with the development.

Another new entrant, the United Kingdom, proposed a five-point approach to the issue, which seems to be designed at stymieing any outcome on the PSH issue, WTD was told.

#### Sharp Differences

During the meeting, sharp differences on the draft text issued by Doha agriculture negotiations Chair Ambassador Gloria Abraham Peralta from Costa Rica, came into the open again.

India, which has consistently opposed the chair's text, apparently said that the draft text contained in the document TN/AG/50 issued on November 23, 2021 cannot be the basis for making any progress.

The draft revised text has been severely criticized by developing countries and LDCs in various meetings on the grounds that it allegedly has turned the previous Doha ministerial mandates on agriculture upside down, particularly the permanent solution for public stockholding programs for food security by the MC12, said people familiar with the developments.

India said repeatedly that the chair's draft text is imbalanced and not a basis for further discussions, a criticism that was also echoed by the African Group of countries.

But, in defense of the chair, New Zealand and Canada said the draft text will remain as the basis for any further negotiations. They apparently praised the chair for her continued efforts to move the negotiations forward.

During the meeting, some members raised the Russia-Ukraine war, which is causing a global food crisis in wheat and oil seeds, among other products. These countries, including the EU, appear to have suggested the need to freeze any outcomes in agriculture except the agreement on transparency.

Some members apparently said that outcomes in agriculture should be excluded from MC12 in the wake of the Russia-Ukraine war.

But some members of the Cairns Group, particularly its coordinator Australia, want an outcome on domestic support as proposed by Ms. Peralta, whose country is a strong member of the Cairns group, said people familiar with the development.

## ***Around the Globe***

- Dairy Herd reported that despite the United States winning its first challenge over dairy with the United States-Mexico-Canada Agreement (USMCA) agreement earlier this year, USDA Secretary of Agriculture, Tom Vilsack, told AgriTalk's host, Chip Flory, that he is not satisfied with the market access into Canada for dairy products.

"We're not satisfied at all," Vilsack says. "That's one of the reasons why we press the trade representative to bring the case under the sort of the dispute resolution process of USMCA panel decided that Canada had to structure its TRQ (tariff-rate quota) differently." Vilsack stated that the U.S. is selling dairy products into the market with only a couple of processors, and those processors don't need what the U.S. is trying to sell under USMCA.

"We want to expand the number of customers and because of the system they have up there, Canadians are very reluctant to do that because they feel their dairy industry will suffer," Vilsack reports. He shared with Flory that the U.S. plans to push and continue to express concerns about compliance with USMCA. "We're going to continue to push. This is not going away. And I think that's what we

have to convince the Canadians that they can't do the shell game, they can't move the pea around, they have to basically own up to the promises they made," Vilsack stated.

Now, nearly four months later, Vilsack knows the first step isn't the last step and more still needs to be done. He told Flory that he is committed to making USMCA a true win for dairy, even if it takes another case and another effort, he will certainly recommend that.

- World Bank President David Malpass on Wednesday said he expects a "strong effort" by major economies to reduce their dependence on Russia for energy supplies and China for supply chains, although cross-border trade and investment flows would continue, Reuters news service reported.

Asked about the growing risk of a fragmentation of the global economy in the wake of Russia's invasion of Ukraine, Malpass said there had been an overdependence on Russian energy and Chinese supply chains, and shifts underway were necessary. "That can be good for China," he told a news conference. "As specific supply chains are less dependent on China, it allows China to move into other sectors and to look forward to the markets for the future."

Malpass said he expected trade and investment across borders to continue, despite the adjustments, arguing that fragmentation into separate blocs would subtract from global productivity. "I don't see this as a negative step. It's a necessary step for the world to look at regional trade growth," he said. "I'm quite sure that the world will continue trading."

- The Korean Times reported that a group of local steelmakers and trade association member companies plan to meet with their U.S. counterparts and policymakers later this month to urge the world's largest economy to lower trade barriers for made-in-Korea steel products, according to industry officials Wednesday.

Accelerating the plan is a collective concern that Korean steel exporters are increasingly sidelined by their global competitors, as indicated by the U.S. showing no immediate signs of lifting its import quota. The U.S. eliminated tariffs on steel and aluminum imports from Japan, Britain and European Union (EU) countries. Under Section 232 of the Trade Expansion Act agreed in 2018 during the Trump administration, Korea's tariff-free steel exports to the U.S. are limited to 70 percent of the three-year average between 2015 and 2017. Japan and the European Union were subject to a high tariff of 25 percent despite no cap on export volume.

Korea's steel exports to the U.S. decreased subsequently to 2.69 million tons last year, or 70 percent of the three-year average of 3.83 million tons. "We plan to meet with officials of the U.S. Commerce Department, U.S. Trade Representative (USTR), and U.S. Steel Association," a steel industry official said.

- Japan enacted a law on Wednesday formally revoking Russia's "most favored nation" trade status over its invasion of Ukraine, as Tokyo steps up sanctions amid revelations of Russian military atrocities against civilians, the Associated Press news service reported.

The stripping of Russia's trade status is Japan's latest move against Moscow and is part of a list of sanction measures Prime Minister Fumio Kishida announced last month that also include a decision to expel eight Russian diplomats and trade officials. The revocation of Russia's trade status by Japan's Parliament, which takes effect later this month, and other sanctions collectively imposed by other countries, are expected to intensify pressure on Russia, but the moves could also prompt reprisals from Moscow.

The revocation of the trade status applies to tariffs on most imports from Russia, allowing Tokyo to impose higher duties on such products. The measure, however, does not affect imports of crude oil and liquefied natural gas, as well as palladium, a type of rare metal, which had no tariffs before Russia joined the World Trade Organization in 2012 and gained the most favored nation status.

— **TRIG** —

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# On the Web.....

## Agriculture

**Chile.** Agriculture Department Foreign Agricultural Service Global Agricultural Information Network report on opportunities for US consumer-oriented products in Chile. (Available at: <https://www.fas.usda.gov/data/opportunities-us-consumer-oriented-products-chile> ) issued: 4/20/22.

**China.** Agriculture Department Foreign Agricultural Service Global Agricultural Information Network report on coffee exports to China showing strong growth potential. (Available at: [https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Coffee%20Imports%20Show%20Strong%20Growth%20Potential\\_Beijing\\_China%20-%20People%27s%20Republic%20of\\_CH2022-0034.pdf](https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Coffee%20Imports%20Show%20Strong%20Growth%20Potential_Beijing_China%20-%20People%27s%20Republic%20of_CH2022-0034.pdf) ) issued: 4/20/22.

**China.** Agriculture Department Foreign Agricultural Service Global Agricultural Information Network report on Kazakhstan finalizing its national agricultural sector development project plan. (Available at: [https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Kazakhstan%20Finalizes%20National%20Agricultural%20Sector%20Development%20Project%20Plan%202021-2025\\_Nur-Sultan%20-%28Astana%29\\_Kazakhstan%20-%20Republic%20of\\_KZ2022-0007.pdf](https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Kazakhstan%20Finalizes%20National%20Agricultural%20Sector%20Development%20Project%20Plan%202021-2025_Nur-Sultan%20-%28Astana%29_Kazakhstan%20-%20Republic%20of_KZ2022-0007.pdf) ) issued: 4/20/22.

## Development

**IMF.** Joint IMFC and Development Committee statement by Treasury Secretary Yellen. (Available at: <http://www.treasury.gov> ) issued: 4/20/22.

## Industrial Policy

**Administration.** Remarks by National Economic Council Deese on the

Administration's plans for a US industrial policy. (Available at: <http://www.whitehouse.gov> ) issued: 4/20/22.

## Sanctions

**Russia.** State Department announcement on promoting accountability for human rights abuses in Russia and Belarus and taking action against sanctions evaders. (Available at: <http://www.state.gov> ) issued: 4/20/22.

**Russia.** Treasury Department announcement on designation of facilitators of sanctions evasion. (Available at: <http://www.treasury.gov> ) issued: 4/20/22.

## Small Business

**Trade Programs.** Congressional Research Service report on the Small Business Administration trade and export promotion programs. (Available at: <https://crsreports.congress.gov/product/pdf/R/R43155> ) issued: 4/20/22.

## Vietnam

**Timber.** US Trade Representative's Office statement on first meeting of the US-Vietnam timber working group. (Available at: <http://www.ustr.gov> ) issued: 4/20/22.

## World Trade Organization

**MC12.** World Trade Organization release on Director General Okonjo-Iweala's discussions in Brazil on the upcoming 12<sup>th</sup> ministerial conference. (Available at: [https://www.wto.org/english/news\\_e/news22\\_e/dgno\\_19apr22\\_e.htm](https://www.wto.org/english/news_e/news22_e/dgno_19apr22_e.htm) ) issued: 4/20/22.