



EIB World Trade Headlines

Evolutions In Business • www.eib.com • (978) 256-0438
Fax: (978) 250-4529 • P.O. Box 4008, Chelmsford, MA 01824

August 15, 2024 - Volume 19, Issue 16



Important Announcement for Users of OFAC's Compliance Hotline

To improve efficiency in responding to requests for sanctions guidance from the public, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) is updating its Compliance Hotline by streamlining and enhancing the query submission process.

Thanks to helpful feedback from Compliance Hotline users, OFAC is transitioning to a single, user-friendly online platform to receive questions from the public. Users can now submit queries—and provide all necessary details—directly through [OFAC's new OFAC Compliance Hotline page](#). This new platform is designed to improve OFAC's tracking of queries and help OFAC assess when additional public guidance may be helpful.

OFAC will fully transition its Compliance Hotline to this web form platform by January 1, 2025, and will retire other existing forms of contacting the OFAC Compliance Hotline according to the following schedule: OFAC will retire the Compliance Hotline email (OFAC_Feedback@treasury.gov) on August 16, 2024; and its Compliance Hotline telephone (1-800-540-6322 and 202-622-2490) on December 31, 2024.

Please submit questions about how to comply with OFAC-administered sanctions programs or where to find helpful guidance on OFAC's website via the [new online OFAC Compliance Hotline](#).

As a reminder, please continue to use [OFAC's License Application page](#) for license applications and requests for formal interpretive guidance. Other information about contacting OFAC, including where to submit voluntary self-disclosures or appeal designations, can be found on our [Contact OFAC page](#).

[For more information on this specific action, please visit our Recent Actions page.](#)

NEWSLETTER NOTES

- Important Announcement...
- For Immediate Release...
- For Immediate Release...
- For Immediate Release...
- AUKUS Defense Trade...

FOR IMMEDIATE RELEASE

Tuesday, August 6, 2024

Media Contact: Office of Public Affairs, publicaffairs@doc.gov
U.S. Department of Commerce Announces Preliminary Terms with SK hynix to Advance U.S. AI Supply Chain Security

Biden-Harris Administration's Bipartisan CHIPS and Science Act Attracts All Five Major Leading-Edge Logic and Memory Companies to Produce Chips on U.S. Soil

Today, the Biden-Harris Administration announced that the U.S. Department of Commerce and SK hynix have signed a non-binding preliminary memorandum of terms (PMT) to provide up to \$450 million in proposed federal incentives under the CHIPS and Science Act to establish a high-bandwidth memory (HBM) advanced packaging fabrication and research and development (R&D) facility. President Biden signed the bipartisan CHIPS and Science Act to usher in a new era of semiconductor manufacturing in the United States, bringing with it a revitalized domestic supply chain, good-paying jobs, and investments in the industries of the future. The proposed CHIPS investment builds upon SK hynix's investment of approximately \$3.87 billion in West Lafayette, Indiana, to build a memory packaging plant for artificial intelligence (AI) products and an advanced packaging R&D facility, creating approximately 1,000 new jobs and filling a critical gap in the U.S. semiconductor supply chain.

"The Biden-Harris Administration's CHIPS and Science Act is a once-in-a-generation opportunity to supercharge America's global technology leadership and create quality jobs in the process. Today's historic announcement with SK hynix would further solidify America's AI hardware supply chain in a way no other country on earth can match, with every major player in advanced semiconductor manufacturing and packaging building or expanding on our shores," said **U.S. Secretary of Commerce Gina Raimondo**. "Because of President Biden and Vice President Harris' leadership, we are creating hundreds of new jobs in Indiana and ensuring the Hoosier state and Purdue University will play a crucial role in advancing America's national security and supply chains."

"President Biden and Vice President Harris are bringing the most advanced semiconductor manufacturing back to the United States," said **Arati Prabhakar, Assistant to the President for Science and Technology and Director of the White House Office of Science and Technology Policy**. "Advanced packaging is more and more critical for AI and other leading-edge systems, but it requires extremely precise manufacturing processes. With this incentive from the CHIPS and Science Act, SK hynix will make a major contribution to the complex computing systems that our nation relies on. At the same time, we are making the R&D investments to win the future, too."

The West Lafayette plant builds on SK Group's previously announced multi-billion commitment to invest in American manufacturing, including EV batteries and biotechnology, which was announced during a meeting with President Biden in July 2022. Through the proposed CHIPS investment in SK hynix, the world's leading producer of HBM, the Biden-Harris Administration would take a meaningful step in advancing the security of the U.S. AI supply chain. With this announcement, the United States will have preliminary agreements with all five of the world's leading-edge logic, memory, and advanced packaging providers. No other economy in the world has more than two of these companies producing leading-edge chips on its shores.

(*Continued On The Following Column)

SK hynix's West Lafayette facility, located at the Purdue University Research Park, will be home to an advanced semiconductor packaging line that will mass-produce next generation HBM. These high-performance memory chips are crucial components of graphics processing units (GPUs) that train AI systems due to their increased processing power. This next generation chip would be mass-produced at the West Lafayette facility and will boast a more advanced performance than the company's latest HBM, which processes up to 1.18 terabytes of data – the equivalent of 230 full HD movies – per second. Mass production at the facility is expected to begin in the second half of 2028.

"The Biden-Harris Administration is dedicated to inventing and commercializing semiconductor technology in the United States and to promoting domestic semiconductor manufacturing. With President Biden and Vice President Harris' proposed investment in SK hynix, we could advance our commitment to accomplishing both," said **Under Secretary of Commerce for Standards and Technology and National Institute of Standards and Technology Director Laurie E. Locascio**. "With proposed investments in companies like SK hynix, the United States has the opportunity to be the only country in the world where every company capable of producing leading-edge chips will have both a high-volume manufacturing presence and a significant research and development presence."

As a result of this proposed investment, the Biden-Harris Administration would establish a research hub in Indiana because of SK hynix's partnership with Purdue University, which hosts the largest facility of its kind at a U.S. university, while bringing next generation HBM and advanced packaging R&D to the United States. The next generation HBM that will be researched and developed, mass-produced, and packaged in this ecosystem with Purdue University will play an important role in the U.S. semiconductor ecosystem and advancing U.S. technological leadership.

"We deeply appreciate the U.S. Department of Commerce's support and are excited to collaborate in seeing this transformational project fully realized," said **SK hynix CEO Kwak Noh-Jung**. "We are moving forward with the construction of the Indiana production base, working with the State of Indiana, Purdue University and our U.S. business partners to ultimately supply leading-edge AI memory products from West Lafayette. We look forward to establishing a new hub for AI technology, creating skilled jobs for Indiana and helping build a more robust, resilient supply chain for the global semiconductor industry."

SK hynix will collaborate with Purdue University on plans for future R&D projects, which include working on advanced packaging and heterogeneous integration with Purdue's Birck Nanotechnology Center and other research institutes and industry partners. SK hynix plans to collaborate on projects for memory-centric solutions and architecture for generative AI – specifically memory design and in/near memory computing. As part of its workforce development efforts, SK hynix plans to work with Purdue University and Ivy Tech Community College to develop training programs and interdisciplinary degree curricula that will cultivate a high-tech workforce and build a reliable pipeline of new talent. Additionally, SK hynix plans to support the work of the Purdue Research Foundation and other local non-profits and charities by building partnerships that provide community development, growth opportunities, and leadership training.

(*Continued On The Following Page)

The company has indicated that it plans to claim the Department of the Treasury's Investment Tax Credit, which is expected to be up to 25% of qualified capital expenditures. In addition to the proposed direct funding of up to \$450 million, the CHIPS Program Office would make up to \$500 million of proposed loans – which is part of the \$75 billion in loan authority provided by the CHIPS and Science Act – available to SK hynix under the non-binding PMT.

As explained in its first [Notice of Funding Opportunity](#), the Department may offer applicants a PMT on a non-binding basis after satisfactory completion of the merit review of a full application. The PMT outlines key terms for a potential CHIPS incentives award, including the amount and form of the award. The award amounts are subject to due diligence and negotiation of award documents and are conditional on the achievement of certain milestones. After the PMT is signed, the Department begins a comprehensive due diligence process on the proposed projects and continues negotiating or refining certain terms with the applicant. The terms contained in any final award documents may differ from the terms of the PMT being announced today.

About CHIPS for America

Nearly two years after the passage of CHIPS and Science Act, the Biden-Harris Administration is moving full speed ahead in order to help protect our economic and national security and restore American leadership in an industry that we started decades ago. By allocating over \$30 billion in proposed funding to build factories domestically and proposing to invest billions more in research and innovation, we are unlocking over \$300 billion in public and private investment and creating more than 100,000 jobs, including tens of thousands of good-paying jobs that don't require a college degree. Our efforts are a meaningful step towards ensuring that the United States produces more of the world's most advanced technologies – from AI to defense systems and everyday items like cars and medical devices. With a focus on expanding capacity, enhancing capabilities, maintaining competitiveness, and driving commercialization, CHIPS for America is working towards driving our future, securing our supply chains, and cementing America's place at the forefront of technology.

CHIPS for America is part of President Biden's economic plan to invest in America, stimulate private sector investment, create good-paying jobs, make more in the United States, and revitalize communities left behind. CHIPS for America includes the CHIPS Program Office, responsible for manufacturing incentives, and the CHIPS Research and Development Office, responsible for R&D programs, that both sit within the National Institute of Standards and Technology (NIST) at the Department of Commerce. Visit www.chips.gov to learn more.

FOR IMMEDIATE RELEASE

August 15, 2024

www.bis.gov

BUREAU OF INDUSTRY AND SECURITY

Office of Congressional and Public Affairs

OCPA@bis.doc.gov

BIS Imposes \$5.8 Million Penalty Against Pennsylvania Company for Shipments of Low-Level Items to Parties Tied to the PRC's Hypersonics, UAV, and Military Electronics Programs

WASHINGTON, D.C. – Today, as part of a settlement agreement to resolve alleged violations of U.S. export controls, the Department of Commerce's Bureau of Industry and Security (BIS) imposed a \$5.8 million civil penalty against TE Connectivity Corporation (TE), located in Middletown, Pennsylvania, and TE Connectivity HK Limited, located in Kwai Chung, New Territories, Hong Kong, for shipments of low-level items to parties tied to the People's Republic of China's (PRC) hypersonics, unmanned aerial vehicles (UAV), and military electronics programs.

"When we announced the Disruptive Technology Strike Force with the Department of Justice last year, we made clear that all tools, including BIS's unique administrative enforcement capabilities, would be leveraged to punish those who send even low-level technology to nation-state adversaries if that technology has the potential to further the development of unmanned aerial vehicle and hypersonic weapons programs," said **Assistant Secretary for Export Enforcement Matthew S. Axelrod**. "Today's penalty takes into account both the cooperation of TE Connectivity in disclosing violations to us and the seriousness with which we will act when a company permits China's destabilizing military modernization programs to benefit from U.S. technology."

"Today's enforcement action is a direct result of the Office of Export Enforcement's mission to stop the illegal export of any U.S.-origin items that support restricted entities or end uses in China in violation of the Export Administration Regulations," said **Office of Export Enforcement Director John Sonderman**. "The mitigated penalty also demonstrates the benefits that companies receive for voluntarily disclosing violations to BIS and cooperating with our investigators."

These alleged violations involved shipments of \$1.74 million in items subject to the Export Administration Regulations (EAR) to parties on the BIS Entity List and for restricted end uses in China. Specifically, TE sent items such as wires, printed circuit-board connectors, and pressure and temperature scanners to parties previously placed on the BIS Entity List for supporting the PRC's military modernization efforts in the fields of hypersonics, UAVs, and electronics. TE voluntarily disclosed the conduct to BIS, cooperated with the investigation by BIS's Office of Export Enforcement, and took remedial measures after discovering the conduct at issue, which resulted in a significant reduction in the penalty.

*(*Continued on the Following Page)*

As alleged in the Proposed Charging Letter (PCL), BIS's investigation determined that TE, through the actions of its China-based business units and distributors, from December 2015 through October 2019, violated the EAR on 79 occasions by exporting \$1.74 million worth of EAR99 items to Chinese parties on the BIS Entity List and/or by exporting EAR99 items for restricted UAV end uses without the requisite license or other authorization from BIS. The low-level items, including wires, printed circuit-board connectors, and pressure and temperature scanners, were exported to missile, military electronics, and defense research organizations on the Entity List, including the China Aerodynamics Research and Development Center, which specializes in hypersonic missile research, two China Electronics Technology Group Corporation research institutes engaged in military electronics production, and the Northwestern Polytechnical University, without the requisite BIS export licenses. Company representatives in China used deception and concealment tactics to disguise end users on the Entity List or restricted end uses, including by changing end-user names or using misleading end-use descriptions. The company's party screening efforts also failed to identify an obvious alternative spelling of a party on the Entity List.

The full order, settlement agreement, and PCL are available online [here](#). This case was investigated by the Office of Export Enforcement's New York Field Office.

Additional Information:

BIS actions are taken under the authority of the Export Control Reform Act of 2018 (50 U.S.C. §§ 4801-4852) and its implementing regulations, the EAR. BIS controls exports of dual-use commodities, technology, and software for reasons of national security, missile technology, nuclear non-proliferation, chemical and biological non-proliferation, crime control, and regional stability. Criminal and administrative sanctions can be imposed for violations of the EAR. Under the Export Control Reform Act of 2018, among other possible administrative sanctions, administrative monetary penalties can reach up to \$364,992 per violation or twice the value of the transaction, whichever is greater. For more information, please visit <https://www.bis.gov/enforcement>.

his action furthers the mission of the [Disruptive Technology Strike Force](#), an interagency law enforcement strike force co-led by the Departments of Justice and Commerce and designed to prevent nation-state adversaries from acquiring disruptive technologies, such as hypersonics and advanced computing, that may eventually be powerful enough to deliver military overmatch. Under the leadership of the Assistant Attorney General for National Security and the Assistant Secretary of Commerce for Export Enforcement, the Strike Force leverages tools and authorities across the U.S. government to enhance the criminal and administrative enforcement of export control laws.

Report suspected export control violations through the BIS [online tip portal](#). You can also call the Enforcement Hotline at 1-800-424-2980 or email EELead@bis.doc.gov.

FOR IMMEDIATE RELEASE

August 14, 2024

www.bis.gov

BUREAU OF INDUSTRY AND SECURITY

Office of Congressional and Public Affairs

OCPA@bis.doc.gov

BIS Publishes New Export Control Compliance Resources for the Academic Community

Washington, D.C. – Today, the Department of Commerce's Bureau of Industry and Security (BIS) Export Enforcement published new resources for the academic community: a compliance note on voluntary self-disclosure trends and a compendium of export compliance resources. These resources align with BIS's ongoing commitment to support academic institutions in their efforts to comply with export controls.

The [compliance note](#), *Trends in Voluntary Self-Disclosures Related to Academia to Inform Improvements to Export Compliance Plans*, details conduct commonly disclosed by academic institutions over the past ten years that constitutes export control violations. The document also highlights actions universities can take to address and prevent these violations, including enhanced training programs and improved internal controls.

The [Compendium of Resources](#) offers a comprehensive guide to export compliance tools, including informational and vetting resources, BIS-specific resources, and examples of recent enforcement actions. These tools should help academic institutions integrate export control requirements into everyday operations for professors, students, staff, and visitors, which in turn helps minimize the risk of violations.

Together, the compliance note and the compendium of resources build on the efforts of the [Academic Outreach Initiative](#), first announced in June 2022. The Academic Outreach Initiative is intended to help academic institutions maintain an open, collaborative research environment in a way that also protects them from national security risk, and it includes strategically prioritized engagement, the assignment of outreach agents to prioritized institutions, background briefings, and trainings.

Report suspected export control violations through the BIS [online tip portal](#). You can also call the Enforcement Hotline at 1-800-424-2980 or email EELead@bis.doc.gov.

AUKUS Defense Trade Integration Determination

Media Note
August 15, 2024

The United States, Australia, and the United Kingdom worked tirelessly to strengthen the AUKUS partnership by furthering defense trade integration. Today, the Department of State submitted to the Congress a determination that Australia and UK export control systems are comparable to those of the United States and have implemented a reciprocal export exemption for U.S. entities.

The Department of State will shortly publish an interim final rule to amend the International Traffic in Arms Regulations (ITAR) and implement an export licensing exemption for Australia and the United Kingdom. The ITAR exemption will be effective September 1, 2024.

All three nations continue to affirm the importance of working with their private sectors and research communities enabling stakeholder input. The trilateral partners took public, and industry comments received seriously. Furthermore, the Department of State will implement a 90-day public comment period for the interim final rule to allow for further refinement in subsequent rulemaking.

The changes implemented by this rule will maximize innovation and mutually strengthen our three defense industrial bases by facilitating billions of dollars in secure license-free defense trade. The ability of AUKUS partners to innovate and establish new enabling environments at a pace of relevance maximizes the partnership's benefits. This new trade exemption is just one example of how the AUKUS partners are working together to meet the challenges of the future. This effort will enable deeper cooperation among AUKUS partners to advance peace, stability, and security in the Indo-Pacific and beyond.

MISSION STATEMENT:

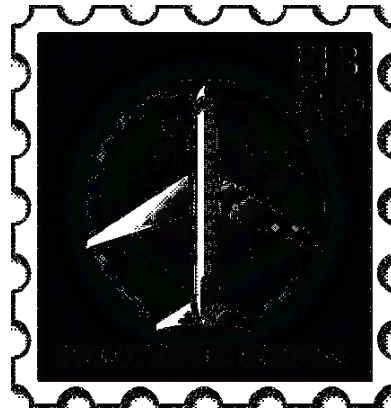
Given the geopolitical state of affairs with China, Russia, and Crimea, the Occupied territories of UKRAINE, Donetsk and Luhansk Oblast, embargoed countries and other specific threatening end users and entities, located in the United States and around the globe;

Evolutions in Business and the companies we serve, armed with robust compliance to the Export Administration Regulations, will adhere to best practices to protect our revenue and yours, and ensure the national security interests of the United States.

NOTE: In accordance with Title 17 U.S.C. Section 107, this material is distributed without profit or payment for non-profit news reporting and educational purposes only.

Evolutions in Business

*Celebrating more
than 30 Years*



Keep up to date with latest trade news at:

www.eib.com

Check out our latest podcast:
<https://www.buzzsprout.com/1592353/15500353-eib-export-news-podcast-22-nato-75th-anniversary-summit-review>